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**UNITED STATES DISTRICT COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
**OAKLAND DIVISION**

PLUMBERS AND STEAMFITTERS  
LOCAL 60 PENSION TRUST, Individually  
and on Behalf of All Others Similarly  
Situated,

Plaintiff,

v.

META PLATFORMS, INC., MARK  
ZUCKERBERG, DAVID WEHNER,  
SHERYL SANDBERG, and SUSAN LI,

Defendants.

CASE NO. 4:22-cv-01470-YGR

**SECOND AMENDED COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**CLASS ACTION**

**DEMAND FOR JURY TRIAL**

Hon. Yvonne Gonzalez Rogers

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1           Lead Plaintiffs Menorah Mivtachim Insurance Ltd., Menorah Mivtachim Pensions and  
 2   Gemel Ltd., The Phoenix Insurance Company Ltd., and The Phoenix Provident Pension Fund Ltd.  
 3   (collectively, “Plaintiffs” or “Lead Plaintiffs”) on behalf of a class of all persons or entities who  
 4   purchased or otherwise acquired Meta Platforms, Inc. (“Meta” or the “Company”) common stock  
 5   between April 9, 2021 and June 9, 2022, inclusive (the “Class Period”) and were damaged as a  
 6   result,<sup>1</sup> bring this Second Amended Complaint for Violations of the Federal Securities Laws (the  
 7   “Complaint”) against Meta and several of Meta’s senior executives—Chief Executive Officer  
 8   Mark Zuckerberg, Chief Financial Officer David Wehner, Chief Operating Officer Sheryl  
 9   Sandberg, and Vice President of Finance Susan Li (collectively, “Individual Defendants,” and  
 10   together with Meta, “Defendants”).

11           Lead Plaintiffs’ claims are based on personal knowledge as to their own acts, and on  
 12   information and belief as to all other matters, based upon, among other things, a review and  
 13   analysis of: (1) reports and documents filed by Meta with the Securities and Exchange  
 14   Commission (“SEC”); (2) reports issued by analysts covering or concerning Meta and its business;  
 15   (3) press releases, news articles, transcripts, videos, and other public statements issued by or about  
 16   Meta, its business, and the Individual Defendants, including articles by *The Wall Street Journal*;  
 17   (4) an investigation conducted by Lead Plaintiffs’ attorneys and their agents, including interviews  
 18   with former Meta employees; and (5) other publicly available information concerning Meta, its  
 19   business, and the allegations in this Complaint. Lead Plaintiffs believe that substantial additional  
 20   evidentiary support exists for the allegations in this Complaint.

## 21   **I.     INTRODUCTION**

22           1.       This is a federal securities class action (the “Action”) on behalf of a class of persons  
 23   or entities that acquired the securities of Meta between April 9, 2021 and June 9, 2022, both dates  
 24   inclusive, seeking to recover damages and to obtain other remedies for Defendants’ violations of  
 25   the Securities Exchange Act of 1934.

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27           <sup>1</sup> Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant  
 28   times, members of their immediate families and their legal representatives, heirs, successors or  
 assigns and any entity in which Defendants have or had a controlling interest.

2. Meta is a social media company that operates in two segments, “Family of Apps” and “Reality Labs.” The Family of Apps segment’s products include Facebook, Instagram, Messenger, and WhatsApp. The Reality Labs segment provides augmented and virtual reality hardware, software, and content. The Company was formerly known as Facebook, Inc. and rebranded as Meta Platforms, Inc. in October 2021. Meta’s revenue derives almost entirely from selling ads to businesses.

3. Meta has grown to be so large that its size and influence is genuinely difficult to imagine. Almost half of the world’s inhabitants regularly uses one or more of Meta’s products for social interaction. If Meta’s revenue were a national GDP, Meta would rank higher than two-thirds of all countries.

4. In important ways, Meta is so large it believes it can write its own rules. Meta’s titanic power appears to have left the Company with the belief that U.S. laws that apply to ordinary companies do not apply in the same way to Meta. In the past decade, Meta has repeatedly violated U.S. laws and regulations, suffered punishments, and then violated those laws and regulations again.<sup>2</sup> It is the rare quarter in which Meta is not the subject of a major controversy stemming from its law-bending conduct.

5. Most importantly for the purposes of this Action, Meta appears to believe it can regularly bend U.S. securities laws prohibiting materially false and misleading statements. Given its size, Meta is among the most scrutinized companies in the world. Investors correctly recognize that each word uttered by Meta has been carefully parsed by lawyers, and consequently, the most sophisticated research analysts in the world similarly parse each word Meta utters for its implications for the value of the Company. Given the attention paid by Meta’s leadership and by investors alike to each word Meta utters, Meta simply does not make misstatements or misleading omissions to the investing public accidentally.

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<sup>2</sup> See, e.g., Press Release, Federal Trade Commission, *FTC Imposes \$5 Billion Penalty and Sweeping New Privacy Restrictions on Facebook* (July 24, 2019), <https://www.ftc.gov/news-events/news/press-releases/2019/07/ftc-imposes-5-billion-penalty-sweeping-new-privacy-restrictions-facebook>.

1           6.       And yet, during the Class Period, Meta repeatedly made statements and omissions  
2 about central aspects of its business that were blatantly misleading. So stark was the difference  
3 between the picture of the Company that Meta painted for investors and the truth, that when the  
4 true state of the Company was partly revealed, Meta's share price fell 26% in a single day on  
5 February 2, 2022—in absolute terms, the largest single-day drop in value of a U.S. Company in  
6 history. In their published statements expressing shock and surprise and in their starkly revised  
7 valuations, investors left no doubt that they were profoundly misled by Meta's statements about  
8 its business.

9           7.       Throughout the Class Period, Meta misled investors about three aspects of its  
10 business.

11           8.       *First*, Meta misled investors by directly implying that changes to Apple's iOS  
12 privacy settings were not materially impacting the Company's business, when in fact they were.  
13 In April 2021, Apple introduced a new operating system for the iPhone smartphone, iOS 14, in  
14 which Apple updated its privacy settings to permit users to opt-out of privacy protections that  
15 largely prevented apps like Facebook and Instagram from accessing information about the users'  
16 activities. Meta had been using this information to allow advertisers to target customers most  
17 likely to engage with those advertisers' products and services and to measure the success of their  
18 ad campaigns. Apple's iOS privacy changes hindered Meta's and advertisers' target and  
19 measurement capabilities, which in turn made Meta's platforms far less attractive spaces for  
20 advertising.

21           9.       During 2021, Meta discussed the Apple iOS privacy changes with investors on  
22 several occasions, but the Company misleadingly downplayed the significance of the changes and  
23 assured investors that the changes were "manageable" and that the Company was taking numerous  
24 steps to "mitigate" the impact of the changes on the Company's business. Indeed, the Company  
25 misleadingly told investors that one of the two major challenges it faced from iOS was an  
26 underreporting gap from web conversions, and assured investors that the Company could reduce  
27 that gap by half by the end of 2021. Moreover, in its quarterly reports on Form 10-Q, every word  
28 of which is painstakingly scrutinized by the hundreds of sophisticated analysts globally covering



Meta’s valuation, Meta directly implied that Apple’s iOS privacy changes were not materially impacting the Company’s targeting and measurement capabilities and were not materially impacting the Company’s financial results. Those statements were blatantly misleading because such a material adverse impact was not merely a future possibility—it had already occurred by the second quarter of 2021. As the Company made clear in multiple statements in February 2022, Apple’s privacy changes were materially impacting the Company’s business by the second quarter of 2021—they were costing the Company approximately \$10 billion annually. Former employees have confirmed that the iOS privacy changes were reducing Meta’s revenue by approximately 4% in Q2 2021, and by more than 5% in Q3 and Q4 2021, and decreased Meta’s net income by approximately 6.7% in Q2 2021 and by more than 9% in Q3 and Q4 2021. A former employee has also confirmed that the iOS changes were reducing Meta’s “signal match rate,” a measure of the Company’s targeting and measurement capabilities, by a staggering 40%. Moreover, in February 2022, the Company admitted that while it had reduced its underreporting gap in web conversions by approximately half, that gap was, contrary to its prior misstatements, only “a very small slice of the overall revenue landscape.” Here again, there is no question that the Company knew that the impact of Apple’s privacy changes was materially impacting the Company’s business. Defendant CFO Wehner stated in each quarter following the introduction of the privacy changes that the impact from the changes on the Company’s business was “in line” with what the Company had calculated—an indisputable admission by Meta’s CFO that the Company had calculated the impact of Apple’s iOS privacy changes on its business, and that the impact was known to the Company’s highest executives. *See infra* Part V.

10. *Second*, Meta repeatedly concealed from investors that Meta’s second-in-command, COO Defendant Sheryl Sandberg, was routinely using Company resources for personal matters.

11. Sandberg used a team of Meta employees to develop a strategy to prevent the U.K. newspaper *Daily Mail*, and its online version, from publishing a story that would have been damaging to her ex-boyfriend, Bobby Kotick. In 2016, a strategy group that included Facebook employees discussed what information they believed the *Daily Mail* had obtained and whether

1 they could persuade the publication's leadership that Kotick had been wrongfully accused,  
2 according to one of the participants in the conversation. Again in 2019, Sandberg and her team  
3 continued their strategy to suppress any story about a restraining order against Kotick and were  
4 successful, as a story on the restraining order was never published by the *Daily Mail*. During this  
5 period, Kotick regularly tapped employees at Meta for public-relations advice.

6 12. Sandberg likewise used Meta employees in editing her personal books, "Option B:  
7 Facing Adversity, Building Resilience, and Finding Joy," and "Lean In: Women, Work, and the  
8 Will to Lead." Sandberg has expressly admitted to this assistance: in the acknowledgements  
9 sections of her books, she lists numerous Meta employees who provided various forms of  
10 assistance in tasks that, by their nature, amounted to many hours of free assistance.

11 13. Defendant Sandberg also used Meta employees in such highly personal matters as  
12 planning her wedding and helping with her family's foundation.

13 14. U.S. Securities laws and regulations detail exactly what executives in publicly  
14 traded companies must disclose in SEC proxy filings about the benefits they receive. Benefits of  
15 greater than \$10,000 must be disclosed, and the assistance Sandberg received on the above matters  
16 clearly surpassed that value. Accordingly, Defendant Sandberg had a duty to disclose, yet refused  
17 to disclose, that she was using Meta employees for purposes that had nothing to do with her  
18 employment at Meta. There is likewise no question that Sandberg knew about these  
19 misrepresentations—Sandberg was clearly aware of her own actions in using Meta employees for  
20 personal projects. *See infra* Part VI.

21 15. *Third*, Meta misled investors to believe that its transition from its older content  
22 platforms, like Instagram Home Feed, to short-form video format, called "Reels," was not  
23 adversely impacting its business, when in fact it was. Meta has traditionally been most successful  
24 in selling ads in Instagram Home Feed and Facebook's News Feed, where ads can easily be placed  
25 frequently between user-generated text and photos. However, as the Company has recognized,  
26 Meta now faces significant competition from the app TikTok, which allows users to create and  
27 scroll through short-form videos. To compete with TikTok, in 2020 Meta launched Reels, a  
28 platform within Instagram that copies TikTok's short-form video format.

1           16. Reels is objectively more engaging than Instagram Home Feed, Facebook News  
 2 Feed and Meta’s other older content platforms—users on average spend more hours in total on  
 3 Reels than on other platforms. However, given the short-form video format, ads cannot be  
 4 interspersed as frequently in Reels as on older platforms. Accordingly, while users spend more  
 5 hours on Reels, they view fewer ads per hour than on other Meta platforms. In this way, Meta’s  
 6 transition from News Feed and older formats for Reels involves a tradeoff—in transitioning to  
 7 Reels, users spend more total hours on Meta’s apps, but view fewer ads per hour. Whether this  
 8 tradeoff has a net positive or negative impact on Meta’s ad business overall turns on whether the  
 9 total ads viewed by users increases or decreases with the transition to Reels.

10           17. Meta made clear to investors that it was transitioning to Reels to compete with  
 11 TikTok and that this transition would involve the tradeoff described above. However, in its  
 12 conference calls and in its highly scrutinized quarterly reports on Form 10-Q, Meta directly and  
 13 repeatedly implied that the transition was having no adverse effect on Meta’s business or results  
 14 of operations. Here as well, there is simply no doubt that the Company knew about this impact—  
 15 when finally revealing the negative impact of the transition, Defendants CEO Zuckerberg and CFO  
 16 Wehner made clear that the transition had been undertaken pursuant to careful strategic calculation  
 17 that recognized short-term losses would be suffered for long-term gains. *See infra* Part VII.

18           18. Meta’s misrepresentations violated the U.S. securities laws and caused many  
 19 billions of dollars of losses to investors. The Class is entitled to recover those losses.

## 20       **II. JURISDICTION AND VENUE**

21           19. The claims asserted herein arise under Sections 10(b), 14(a) and 20(a) of the  
 22 Securities Exchange Act of 1924 (the “Exchange Act”), 15 U.S.C. §§ 78j(b), 78n(a) and 78t(a),  
 23 and Rules 10b-5(a), (b), and (c) and 14a-9 promulgated thereunder by the SEC, 17 C.F.R.  
 24 §§ 240.10b-5, 240.14a-9.

25           20. This Court has jurisdiction over the subject matter of this action pursuant to  
 26 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

27           21. Venue is proper in this District pursuant to § 27 of the Exchange Act and 28 U.S.C.  
 28 § 1391(b)-(c) because Meta’s headquarters are located in this District, the Company conducts

substantial business in this District, and many of the acts and practices complained of in this Complaint occurred in substantial part in this Judicial District.

22. In connection with the acts, conduct, and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mail, interstate telephone communications, and the facilities of the national securities exchange.

### **III. PARTIES**

#### **A. Lead Plaintiffs**

23. Plaintiffs Menorah Mivtachim Insurance Ltd., Menorah Mivtachim Pensions and Gemel Ltd., The Phoenix Insurance Company Ltd., and The Phoenix Provident Pension Fund Ltd., as set forth in the certifications attached as Exhibit C to the Declaration of Jennifer Pafiti (ECF No. 17-2), incorporated in this Complaint by reference, acquired Meta securities at artificially inflated prices during the Class Period and suffered damages as a result.

#### **B. Defendants**

##### **1. Corporate Defendant**

24. Defendant Meta is incorporated in Delaware, and its principal executive offices are located at 1601 Willow Road, Menlo Park, California 94025. The Company's common stock is listed on the NASDAQ under the ticker symbol "META." Meta was previously known as "Facebook, Inc." but rebranded itself as "Meta Platforms, Inc." on or about October 28, 2021. The Company's common stock was formerly listed on the NASDAQ under the ticker symbol "FB," which had been used since its initial public offering in 2012 and began trading on the NASDAQ under the ticker symbol "META" on June 9, 2022.

##### **2. Individual Defendants**

25. Defendant Mark Zuckerberg ("Zuckerberg") is, and was during the Class Period, Meta's Chief Executive Officer.

26. Defendant David Wehner ("Wehner") is, and was during the Class Period, Meta's Chief Financial Officer.

1           27. Defendant Sheryl Sandberg (“Sandberg”) is, and was during the Class Period,  
2 Meta’s Chief Operating Officer.

3           28. Defendant Susan Li (“Li”) is, and was during the Class Period, a Vice President of  
4 Finance at Meta.

5           29. Defendants Zuckerberg, Wehner, Sandberg and Li are collectively referred to in  
6 this Complaint as the “Individual Defendants.” Defendant Meta and the Individual Defendants  
7 are collectively referred to in this Complaint as “Defendants.”

#### 8 **IV. META COMPANY BACKGROUND**

##### 9 **A. Meta’s Businesses**

##### 10 **1. Family of Apps**

11           30. Meta’s “Family of Apps” refers to its Facebook, Instagram, Messenger, and  
12 WhatsApp products. For its Family of Apps, Meta “generate[s] substantially all of [its] revenue  
13 from selling advertising placements to marketers.” This revenue is generated by displaying ad  
14 products on Facebook, Instagram, Messenger, and third-party affiliated websites or mobile  
15 applications.

16           31. Facebook is an online social media and social networking service. Through a  
17 Facebook account, users may post content about their own lives and interests, and view content  
18 that their connections have posted. Facebook uses a feature called News Feed, a constantly  
19 updated, personally customized scroll of photos and links to news stories, to push content to its  
20 users. News Feed is the primary mechanism through which users are exposed to content on  
21 Facebook, and Facebook uses an algorithm to control what content appears in each user’s News  
22 Feed.

23           32. Instagram allows users to share photos, videos, and private messaging as well as  
24 connect and shop from businesses. Instagram uses a similar feature to Facebook’s News Feed,  
25 called Instagram Feed.

26           33. Messenger is a messaging application for users to connect with friends, family,  
27 groups, and businesses across platforms and devices through chat, audio, and video calls.  
28

34. WhatsApp is a messaging application used by people and businesses around the world.

35. Through this Family of Apps, Meta provides multiple services that permit cross-platform activities.

## **2. Reality Labs**

36. Facebook Reality Labs drives innovation through AR/VR related consumer hardware, software, and content. Reality Labs' revenue, only 2% of Meta's annual revenue, is generated from the delivery of consumer hardware products.

## **B. Meta's History**

### **1. Facebook, Inc.**

37. Defendant Zuckerberg launched Facebook in February of 2004 with a group of fellow Harvard University classmates. At its start, Facebook connected Harvard University students with one another.

38. Soon after its founding, Facebook expanded rapidly. Facebook became widely available to the public in 2006 and has been the world's dominant social network platform since around 2011.

39. In 2012, Facebook acquired Instagram, a photo and video sharing app, for \$1 billion. Instagram has grown to be a major component of Meta's business and the primary platform for Meta's Reels feature.

40. Facebook acquired WhatsApp, a secure messaging app, in 2014 for approximately \$19 billion.

### **2. Facebook Inc.'s Transition to Meta**

41. On October 28, 2021, Defendant Zuckerberg announced that Facebook would be rebranding as Meta, bringing together its Family of Apps and technologies under one brand. Multiple sources have opined that the Company rebranded as Meta in part to distance itself from the many controversies it faced, including regulatory criticism.<sup>3</sup> The timing of the rebranding

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<sup>3</sup> Mike Isaac, *Facebook Renames Itself Meta*, N.Y. Times (Oct. 28, 2021), available at <https://www.nytimes.com/2021/10/28/technology/facebook-meta-name-change.html>.

1 occurred as the Company grappled with some of the most intense scrutiny in its history from  
 2 regulators and the public over Meta's role in amplifying political misinformation and its alleged  
 3 knowledge of its harmful effects on teenagers' well-being.<sup>4</sup>

4 42. The corporate structure of the Company did not change with its transition to Meta,  
 5 but starting with the fourth quarter of 2021, the Company began reporting two separate operating  
 6 segments: Family of Apps and Reality Labs. The Company also started trading under a new stock  
 7 ticker, META, on June 9, 2022.

8 43. Today, Meta operates the world's largest family of social networking sites,  
 9 accessed by more than 3.5 billion users.

### 10 3. Introduction of "Stories"

11 44. On August 2, 2016, Instagram launched Instagram Stories, a feature that lets users  
 12 share multiple photos and videos that appear together in a slideshow and disappear after 24 hours.  
 13 Stories appear in a bar at the top of a user's Instagram feed. Advertisers may run ads on Instagram  
 14 Stories which are immersed seamlessly into a user's Stories viewing experience.

### 15 4. Introduction of "Reels"

16 45. On August 5, 2020, Instagram launched Instagram Reels, a new way to create and  
 17 view short videos on Instagram. Reels consist of short videos with audio, effects, and other  
 18 creative tools to share with followers and friends within the Instagram app. Reels are viewed as  
 19 full-screen videos that users may scroll through one at a time. Reels may be viewed in the Reels  
 20 or Discover page of the Instagram app, and a user does not have to follow the user who posted to  
 21 be recommended a Reel. Meta launched Reels primarily to compete with the highly successful  
 22 app TikTok owned by the Chinese company ByteDance. Reels mimics TikTok's format.

23 46. On June 16, 2021, Instagram launched ads on Reels. The ads appear as full screen  
 24 vertical videos interspersed between individual Reels.

---

25  
 26 <sup>4</sup> Alexandra S. Levine, *Facebook Changes Its Name to 'Meta' Amid Backlash to Whistleblower*  
 27 *Revelations*, Politico (Oct. 28, 2021), available at  
 28 <https://www.politico.com/news/2021/10/28/facebook-meta-whistleblower-517449>; Barbara  
 Ortutay, *In the middle of a crisis, Facebook Inc. renames itself Meta*, AP News (Oct. 28, 2021),  
 available at <https://apnews.com/article/facebook-meta-mark-zuckerberg-technology-business-5ad543ab7780caae435935f0aca9fac6>.



1           47. Reels was instantly a hit with Instagram users. On July 28, 2021, during a  
 2 conference call with investors to discuss financial results from the second quarter of 2021 (the  
 3 “July 28, 2021 Investor Call”), Defendant Zuckerberg acknowledged, “Reels is already the largest  
 4 contributor to engagement growth on Instagram. Across all forms of video, short-form video like  
 5 Reels is growing especially quickly.”

6           48. On September 29, 2021, Facebook announced the launch of Reels on Facebook for  
 7 iOS and Android in the U.S. On Facebook, Reels are located in the News Feed or in Groups and  
 8 may be engaged with by users through comments or sharing with friends.

9           49. From its introduction, Reels has primarily been used by users of Instagram rather  
 10 than Facebook. From January 2021 to December 2022, Instagram Reels recorded an average  
 11 engagement rate [how many people interacted with it versus how many people saw it] reaching up  
 12 to 0.93%, while on Facebook during the same period, video post types recorded an engagement  
 13 rate of 0.17% on average. As Susan Li acknowledged on Meta’s Q2 2022 investor follow-up call,  
 14 “I think Reels certainly has been a bigger presence on Instagram.”

15           **C. Advertising Revenue Is Vital to Meta’s Business**

16           50. Meta’s revenues come almost entirely from selling ads to businesses for display  
 17 within Meta’s Family of Apps. According to the Company’s public earnings reports, “We generate  
 18 substantially all of our revenue from advertising.” Approximately 98% of Meta’s annual revenue  
 19 during the Class Period came from advertising, as illustrated in the following table.



	Revenue for Year Ended December 31, (dollars in millions) <sup>5</sup>		
	2021	2020	2019
<b>Advertising</b>	114,934	84,169	69,655
<b>Other Revenue</b>	721	657	541
<b>Family of Apps</b>	115,655	84,826	70,196
<b>Reality Labs</b>	2,274	1,139	501
<b>Total Revenue</b>	117,929	85,965	70,697

51. In particular, a large portion of Meta’s revenue derives from selling ads seen on iPhones. Meta uses data obtained about its users by tracking their activities. Meta has stated:

Our advertising revenue is dependent on targeting and measurement tools that incorporate data signals from user activity on websites and services that we do not control . . . .

52. While there are several ways in which personal social networking could be monetized, Meta monetizes its products by mining its users’ personal data and selling advertising that can be targeted to those users based on that personal data.

53. This practice has been highly profitable for Meta. Advertisers pay billions of dollars to display their ads to specific sets of Meta users. Meta serves up these “audiences” using algorithms that analyze the vast quantity of data that the Company collects on its users. This allows advertisers to target different campaigns and messages to different groups of users.

54. Meta collects user data in multiple ways. When users use Facebook, they can choose to share things about themselves like their age, gender, hometown, or friends. They may click or like posts, pages, or articles. Meta uses this information to understand users’ interests to show them relevant ads. Advertisers may also buy Meta customer information so they may reach those individuals on Facebook. Meta also may track users across other websites and services like the various apps users also have on their mobile devices.

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<sup>5</sup> See Meta’s Annual Report on Form 10-K filed with the SEC on February 3, 2022.

**V. META MISLED INVESTORS TO BELIEVE THAT THE IMPACT OF IOS CHANGES ON ITS BUSINESS WAS NOT MATERIAL**

**A. Meta’s Reliance on Apple’s iOS Platform**

55. iOS (formerly iPhone OS or iPhone Operating System) is a mobile operating system created and developed by Apple Inc. (“Apple”) exclusively for use on Apple’s mobile devices, including its smartphone, the iPhone. iOS is the world’s second-most widely installed mobile operating system, after Android.

56. As Meta’s revenues come almost entirely from advertising, and as Meta relies on Apple to access much of the target market for its advertisers, Meta’s business relies heavily on Apple’s permitting it to run its Family of Apps on Apple iOS and permitting Meta to make its Family of Apps available on Apple’s online app store (the “App Store”).

57. Meta recognizes that its business depends in large part on these permissions from Apple. In Meta’s comments to the National Telecommunications and Information Administration’s “Developing a Report on Competition in the Mobile App Ecosystem” docket, Meta acknowledged, “Meta’s ability to innovate on its products and services and even reach its customers is determined, and in some cases, significantly limited, by the most popular mobile operating systems, such as Apple’s iOS.” Meta further stated that “iOS devices comprise about 60% of smartphones in the United States.”

**B. Apple Announced Changes to Its iOS Privacy Settings**

58. In June 2020, Apple decided to grant users more control over their privacy and the data associated with their activity on their iPhones and other devices. In that month, Apple announced that it would roll out a host of changes to iOS. These changes would prevent Meta’s Family of Apps from accessing personal information Meta had used for years to allow advertisers to identify target customers accurately and efficiently and to measure the success of their advertising campaigns.

59. Accordingly, with iOS 14, Apple introduced App Tracking Transparency (“ATT”) which allowed iPhone users to opt-out of permitting apps, like Meta’s Family of Apps, to track their internet behavior. With the introduction of ATT, when users open an app after installing

1 iOS 14, they are greeted with a pop-up window that asks, “Allow [App Name] to track your  
2 activity across other companies’ apps and websites?” Users may then choose “Ask App Not to  
3 Track” or “Allow.”

4 60. When “Ask App Not to Track” is selected, Apple disables the app from using  
5 Apple’s identifier for advertisers (“IDFA”). An IDFA is a random string of letters and numbers  
6 assigned to Apple devices like iPads and iPhones used by advertisers to identify users and track  
7 their activity across apps and websites. Advertisers use IDFAs to deliver personalized, targeted  
8 advertising. When asked not to track, iOS communicates to the app developer that a user does not  
9 want their information to be tracked and shared with anyone in any way. Once this setting has  
10 been selected, apps may no longer leverage data collected on untracked iOS devices beyond what  
11 they may observe within their own ecosystem.

12 61. If apps continue to track once this setting has been enabled, Apple may bar the  
13 offenders from its App Store. Apple also codified its terminology regarding user data to ensure  
14 all developers use the same language in their App Tracking Transparency. Developers must  
15 disclose their apps’ privacy practices to remain on the App Store.

16 62. ATT was rolled out in late April 2021. ATT upended the mobile ad industry by  
17 abruptly cutting off one of its primary data streams. As explained above, app tracking is important  
18 to advertisers because they use this information to deliver ads relevant to users’ interests. The  
19 more advertisers know about users, the more precisely they may target advertising to users, and  
20 the more valuable those ads become.

21 63. The iOS changes impacted Meta’s business in two important ways—they impacted  
22 Meta’s ad targeting and measuring capabilities. Permitting users to opt not to allow apps to track  
23 them lowered the number of users that can be tracked, as many users will opt not to allow tracking.  
24 As a result, advertisers had less data to use to target users. The loss of data about user activity also  
25 decreased the accuracy with which advertisers can measure web conversions—actions that a  
26 prospective customer takes to further interact with a business or product in a valuable way such as  
27 making a purchase, signing up to receive emails, or visiting a webpage. Losing the ability to track  
28

1 a customer's web journey meant that companies also could no longer distinguish between new and  
2 repeat traffic, further lowering the value of Meta's advertisements.

3 64. The actual impact of the iOS privacy changes on Meta's targeting and measurement  
4 capabilities are calculable by calculating "signal match rates." The signal match rate is the number  
5 of users out of a user population interacting with an ad for which Meta can receive information  
6 about whether the user's actions triggered the advertiser's "signal." The "signal match rate" is  
7 calculated as the number of users for which Meta can receive that information divided by the total  
8 user population interacting with the ad. "Signals" are actions taken by consumers while online  
9 that offer clues about intent that can be used to assess the efficacy of ads. Signals include, for  
10 example, landing on an advertiser's homepage after clicking on an ad, moving a product to a cart  
11 for purchase, or purchase of an advertised product. The signal match rate is a numerical measure  
12 of how well Meta can measure the effectiveness of an advertisement, and in turn the extent to  
13 which Meta can provide information to advertisers to target users similarly likely to be affected by  
14 the advertisement. In short, the signal match rate is a numerical measure of Meta's targeting and  
15 measurement capabilities.

16 65. Apple's iOS privacy changes forced Meta to attempt to find new ways to offer ad  
17 targeting and measurement with less data.

18 66. During the Class Period, Meta informed investors that it was taking numerous steps  
19 to mitigate the impact of Apple's iOS privacy changes. These efforts included, inter alia, building  
20 other data sources that advertisers could make use of, having more onsite conversion opportunities  
21 for advertisers, and automation to allow advertisers to leverage machine learning to find audiences  
22 for targeted ad campaigns.

23 67. Meta also told investors that it planned to use "aggregated events management" to  
24 mitigate the impact of the iOS privacy changes. Meta claimed that this "aggregated events  
25 management" would allow Meta and its advertisers to make use of aggregated ad-campaign-level  
26 data for users who opted out of being tracked once the iOS changes were implemented. During  
27 Meta's 2Q 2021 investor follow-up call on July 28, 2021 (the "July 28, 2021 Investor Follow-Up  
28

Call”), Defendant Li described how the Company’s aggregated events management would work, stating:

I gave an example earlier of aggregated events management. And that lets us receive aggregated campaign-level data for opted out users. So if you can imagine for, like, an opted in user, previously maybe you’d gotten the data like, “This purchase took place on Nike.com, made by user X, for X product, for Y price, at what time,” now they’ve opted out. And so with AEM, you sort of get, under a campaign level, for some sort of products in some price range at some point in the last 48 hours, a purchase took place which follows, following an ad click on Facebook at some point in the last seven days. So you sort of get a delayed, aggregated version of the data, which, while obviously [is] not as performant as real-time data, has definitely mitigated some of the impact.

68. Meta also stated that it could mitigate the impact of Apple’s iOS privacy changes by closing an “underreporting gap” of the number of customers whose viewing of an ad “converted” into a sale, app installation, or other targeted activity on an advertiser’s website. As Defendant Sandberg explained on Meta’s 3Q 2021 investor conference call:

On measurement, as we wrote in a recent blog post, we believe we are underreporting iOS web conversions. This means real world conversions, like sales and app installs, are higher than what’s being reported for many advertisers, especially small advertisers. We’re making good progress fixing this. We think we’ll be able to address more than half of the underreporting by the end of this year.

69. Meta also tested pop-ups inside the Facebook app on iPhones and iPads to encourage users to accept tracking. The prompts attempted to persuade users to allow tracking by stating they would receive more personalized ads and “support businesses that rely on ads to reach customers.” The Company also ran a video ad campaign with the slogan “Good Ideas Deserve to Be Found,” ending with the statement, “Personalized Ads help good ideas get found.”

**C. Meta Acknowledged that Apple’s iOS Privacy Changes Would Create “Some Kind of Headwind,” but Directly Implied that the Impact Was Not Currently Material When It Was**

70. Throughout the Class Period, Meta acknowledged that Apple’s iOS privacy changes would create “headwinds,” but repeatedly downplayed the impact of the changes in statements made to investors and then directly implied in its SEC filings that the impact was not currently material. However, by the second quarter of 2021, the Company’s statement implying no material impact was not accurate—by the second quarter of 2021, Apple’s iOS privacy changes

were materially impacting Meta’s targeting and measurement capabilities and its revenues and profits. Defendants failed to tell investors that the changes could not be successfully mitigated and would materially hurt the ad business until February 2, 2022, when they admitted that the iOS privacy changes, which had been adopted by the vast majority of users by the second quarter of 2021, had been having a severe impact on Meta’s targeting and measurement capabilities, and its revenues and profits since at least that quarter, when the Company admitted that the changes would cause a headwind of \$10 billion in 2022.

### 1. First Quarter 2021

71. On March 2, 2021, Defendants Sandberg and Wehner spoke on behalf of Meta at the 2021 Morgan Stanley Technology, Media and Telecom Conference. There, Defendant Wehner made clear that Meta was closely watching the introduction of Apple’s iOS privacy changes, that the rate of adoption of the iOS changes was predictable, and that Meta already had considered ways to mitigate the impact. Defendant Wehner stated:

We’re going to be watching when this actually launches, we expect it to be in Q1, so later in March. And then there’s going to be the question of what’s the pace of upgrades to iOS 14, which is a little bit more known because we’re able to sort of monitor the pace of other updates in the past. We’ll be obviously looking at what the opt-in rates are there. We’re looking at things like a pre-prompt to provide additional context of what we’re doing and why we’re doing it and why it benefits the user. So, all of those things will be part of how we kind of assess what the impact for the business is going to be.

But we do expect this to be an impact to the business and to impact our growth rates as we go into—further into 2020. And so that’s factored into the outlook that I gave on the Q4 call. On the mitigation front, I think there’s a few different things, obviously going on. One is, this is a broad platform wide change. It doesn’t just affect Facebook. It affects everybody in the ecosystem. And so there’s going to be a relative effect and that relative effect is not clear yet.

72. On or about March 18, 2021, Defendant Zuckerberg appeared on Josh Constine’s PressClub where he discussed Meta’s business. On this program, Defendant Zuckerberg greatly downplayed concerns about the impact of Apple’s iOS privacy changes. He stated that “I’m confident that we’re gonna be able to manage through that situation” and dismissively suggested that the changes only “might make some kind of headwind.” Defendant Zuckerberg even suggested the changes might *positively* impact the Company’s business. Defendant Zuckerberg stated:

1 When it comes to, the iOS 14 changes, for example, and their impact on our  
 2 business, I think the reality is that I'm confident that we're gonna be able to manage  
 through that situation. And we'll be in a good position. I think it's possible that  
 we may even be in a stronger position.

3 [. . .]

4 I mean I think that there's been a lot of people [that] have focused on the iOS 14 ad  
 5 changes and whether that's going to be an impact for our business, for example,  
 and, it might make some kind of headwind. The reality is we make changes in our  
 6 products all the time that[] try to prioritize health and wellbeing across the services  
 that reduce our revenue. So over the long-term, the iOS 14 business changes are  
 7 actually not the biggest concern I have with Apple.

8 73. On April 28, 2021, Meta held a conference call with investors to discuss financial  
 9 results from the first quarter of 2021 (the "April 28, 2021 Investor Call"). During this call,  
 10 Defendant Sandberg made clear that the Company was actively engaged in efforts to mitigate the  
 11 impact of the iOS privacy changes and stated: "We're rebuilding meaningful elements of our ad  
 12 tech so that our system continues to perform when we have access to less data in the future." On  
 13 the same call, in response to an analyst's question about the iOS update, Defendant Wehner  
 14 likewise suggested that the impact was "manageable" and that the Company was "making  
 15 encouraging progress" on "solutions" to the iOS ATT changes. Defendant Wehner stated:

16 [T]he impact on our own business, we think, will be manageable. We continue to  
 17 expect it will be a headwind for the remainder of the year, but we're making  
 encouraging progress . . . on our own solutions to help advertisers navigate these  
 18 changes.

19 74. On the April 28, 2021 Investor Call, Wehner also stated that "in addition to these  
 20 mitigations, we're also just seeing very strong overall ad demand, which is contributing to a more  
 21 positive outlook for 2021."

## 22 **2. Second Quarter 2021**

23 75. ATT was rolled out in late April 2021. As explained below, ATT was quickly  
 24 adopted by iPhone users and quickly had a severe impact on Meta's business. According to  
 25 multiple sources, by the start of June 2021, approximately 85% of iOS users had adopted (i.e.,  
 26 accepted and implemented) Apple's iOS 14 privacy changes. As detailed in Section V.D below,  
 27 the widespread adoption of the iOS privacy changes by Meta's customers caused an immediate  
 28 and material impact both on Meta's targeting and measurement capabilities and on its advertising



1 revenues and net income, a fact that was never disclosed to investors.

2       76. On the July 28, 2021 Investor Follow-Up Call to discuss Meta’s 2Q 2021 results,  
3 Defendants continued to downplay the impact of Apples’ iOS privacy changes by emphasizing  
4 their mitigation efforts and suggesting that the impact of ATT would be manageable. For example,  
5 Defendant Li spoke about supposed “mitigation” efforts Meta was undertaking to counteract any  
6 negative impact Apple’s iOS privacy changes would have on Meta’s advertising business. Li  
7 stated in particular that Meta’s “aggregated events management” was a mitigation effort that “has  
8 definitely mitigated some of the impact” of the Apple iOS changes:

9       So if you can imagine for, like, an opted in user, previously maybe you’d gotten the  
10 data like, “This purchase took place on Nike.com, made by user X, for X product,  
11 for Y price, at what time,” now they’ve opted out. And so with AEM [aggregated  
12 events management], you sort of get, under a campaign level, for some sort of  
13 products in some price range at some point in the last 48 hours, a purchase took  
place which follows, following an ad click on Facebook at some point in the last  
seven days. *So you sort of get a delayed, aggregated version of the data, which,*  
while obviously [is] not as performant as real-time data, has *definitely mitigated*  
*some of the impact.*

14 (Emphasis added.)

15       77. On the July 28, 2021 Investor Call, the Company also misleadingly assured  
16 investors that the impact of the iOS changes on the company was “in line with expectations.”  
17 Investors would have read this statement in the context of the previous statements Meta had made  
18 about the impact, namely that the impact was “manageable,” and as explained below, not  
19 “material.” For example, Defendant Wehner stated:

20       Yes. Yes. Thanks, John. On the iOS changes, really very much in line with  
21 expectations on things like opt-in rates. So I would say, overall, the impact has been  
22 in line with our expectations. So, not a huge surprise there. We’re not fully rolled  
out with those changes, but Q3 will have had the impact more or less of those being  
fully rolled out.

23       78. Similarly, on the July 28, 2021 Investor Follow-Up Call, Defendant Li misleadingly  
24 assured investors that the impact of the iOS changes was “really quite close” to the Company’s  
25 expectations. She also misleadingly stated that Meta’s mitigation efforts, including its aggregated  
26 events measurement tool, were making the impact “in line” with expectations. As the Company  
27 had previously stated that it believed the iOS impact was manageable, these statements likewise  
28 misled investors to believe that the impact of the iOS changes was manageable and not material.



On the specific – I’m not sure I know exactly what all the specific consent flow changes are. In general, the -- ***I think the impact of ATT has been really quite close on almost all of the dimensions that we look at*** when we think about kind of the iOS adoption curve, the opt-in rate, the impact post opt-out to ARPU. ***Those have all been quite similar to the early projections that we had that we kind of had factored into our Q1 and Q2 guidance. So I think -- so that’s really been pretty consistent. And I think in the landscape we’re at now, effectively we’re looking at the sort of primary buckets of mitigations.*** There’s -- obviously, there’s conversion to API which allows advertisers to share data for the opted in users over server side channels. And then we also have the Aggregated Events Measurement tool that’s allowing us to receive aggregated campaign-level data for opted out users. ***And so I think the impact kind of to – to our revenue ecosystem has been pretty in line with how we expected those would perform.***

(Emphasis added.)

79. On July 29, 2021, Meta filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company’s financial and operating resulting for the quarter ended June 30, 2021 (the “2Q21 10-Q”). The 2Q21 10-Q stated:

[M]obile operating system and browser providers, such as Apple and Google, have announced product changes as well as future plans to limit the ability of websites and application developers to collect and use these signals to target and measure advertising. For example, in April 2021, Apple made certain changes to its products and data use policies in connection with changes to its iOS 14 operating system that reduce our and other iOS developers’ ability to target and measure advertising, which may in turn reduce the budgets marketers are willing to commit to us and other advertising platforms.

[. . .]

These developments have limited our ability to target and measure the effectiveness of ads on our platform and negatively impacted our advertising revenue, and *if we are unable to mitigate these developments as they take further effect in the future, our targeting and measurement capabilities will be materially and adversely affected*, which would in turn significantly impact our future advertising revenue growth.

(Emphasis added.)

80. This statement was materially false and misleading because it directly implied that Meta’s “targeting and measurement capabilities” had not yet been “materially and adversely affected” by Apple’s iOS privacy changes, and that those changes had not yet “significantly impact[ed]” Meta’s “advertising revenue growth.” In fact, as explained in detail below, by the time this statement was made, Meta’s “targeting and measurement capabilities” already had been “materially and adversely affected” by Apple’s iOS privacy changes. By Q2 2021, Meta’s signal match rate, a measure of its targeting and measurement capabilities, had decreased by 40%.

Likewise, as explained below, Apple’s iOS privacy changes already had “significantly impact[ed]” Meta’s “advertising revenue growth”—the changes decreased Meta’s advertising revenue in Q2 2021 by approximately 4%, and decreased Meta’s advertising revenue in Q3 and Q4 by greater than 5%. The changes likewise decreased Meta’s net income by approximately 6.7% in Q2 2021 and by more than 9% in Q3 and Q4 2021. The iOS changes decreased the year-over-year change in advertising revenue in Q2 2021 from 62% to 56%, and in Q3 2021 from 40% to 33%, resulting in a negative impact of approximately 11% on Meta’s Q2 2021 advertising revenue growth rate and a negative impact of approximately 21% on Meta’s Q3 2021 advertising revenue growth rate.

81. The term “material” as used in this statement in Defendants’ Form 10-Q SEC filing has a clearly defined meaning given by the SEC. Defendants made this statement in the section “Risk Disclosures” of their SEC filing, and that section was drafted to satisfy the requirements of SEC Regulation S-K Item 105 (17 CFR § 229.105 “Risk factors”). That regulation requires that “Where appropriate, provide under the caption ‘Risk Factors’ a discussion of the *material* factors that make an investment in the registrant or offering speculative or risky.” 17 CFR § 229.105(a) (emphasis added). The regulation specifically defines the term “material” as follows:

The term “material,” when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters as to which an average prudent investor ought reasonably to be informed before buying or selling any security of the particular company.

17 CFR § 270.8b-2(g).

82. This definition of the term material tracks the legal definition of material in federal securities law as well as the definition of that term as used in the investing and accounting community—a fact is material if there is a substantial likelihood that a reasonable person would consider it important in making an investment decision.

83. When the term “material” applies to a numerical quantity, the SEC has given guidance that a threshold of 5% is a reasonable rule of thumb for assessing numerical materiality:

The use of a percentage as a numerical threshold, such as 5%, may provide the basis for a preliminary assumption that—without considering all relevant circumstances—a deviation of less than the specified percentage with respect to a particular item on the registrant’s financial statements is unlikely to be material.

1 The staff has no objection to such a “rule of thumb” as an initial step in assessing  
2 materiality.<sup>6</sup>

3 84. Likewise, in the investing and accounting communities, as a rule of thumb, an  
4 amount is presumptively material if it has an impact on a company’s key business metrics of more  
5 than 5%. For example, academic articles have surveyed this rule of thumb, and described it as  
6 follows:

7 Working materiality levels or quantitative estimates of materiality generally are  
8 based on the 5% rule, which holds that reasonable investors would not be  
9 influenced in their investment decisions by a fluctuation in net income of 5% or  
10 less. Nor would the investor be swayed by a fluctuation or series of fluctuations of  
11 less than 5% in income statement line items, as long as the net change was less than  
12 5%. This theory has been and remains the fundamental concept behind working  
13 materiality estimates today.<sup>7</sup>

14 85. Notably, the SEC has made clear that even misstatements below 5% are  
15 nevertheless material where, as here, they mask a trend impacting earnings and are otherwise  
16 qualitatively important. “[T]he staff believes that there are numerous circumstances in which  
17 misstatements below 5% could well be material. Qualitative factors may cause misstatements of  
18 quantitatively small amounts to be material. [ . . . ] Among the considerations that may well render  
19 material a quantitatively small misstatement of a financial statement item are [ . . . ] whether the  
20 misstatement masks a change in earnings or other trends . . . .” Relevant to the determination are  
21 “not only the size of the misstatement but also the significance of the segment information to the  
22 financial statements taken as a whole.”<sup>8</sup>

23 86. Indeed, Meta investors demonstrated that they understand the term “material” to  
24 convey a useful meaning that is broadly understood. On the July 28, 2021 Investor Follow-Up  
25 Call for 2Q 2021, an investor specifically asked Defendant Wehner whether the company was  
26 suggesting that the Company was experiencing no “material” impact to its ad revenue. In  
27 responding, Defendant Wehner did not complain that he did not understand what was being

28 <sup>6</sup> SEC, Staff Accounting Bulletin No. 99, 64 FR 45150-01 (1999), available at  
<https://www.sec.gov/interps/account/sab99.htm>.

<sup>7</sup> James Brody Vorhes, *The New Importance of Materiality*, J. of Accountancy (May 1, 2005),  
available at  
<https://www.journalofaccountancy.com/issues/2005/may/thenewimportanceofmateriality.html>.

<sup>8</sup> SEC, Staff Accounting Bulletin No. 99, 64 FR 45150-01 (1999).

1 asked—to the contrary, his response, and the response of Susan Li, made clear that they understood  
 2 the term to convey definite meaning within the investor community and the context of an SEC  
 3 quarterly report conference call:

4 Q: Maybe if you could just go a little deeper, if you would, please, the changes  
 5 to iOS. Are you suggesting that you're not seeing any material impact at all to your  
 ad revenue, maybe help quantify that?

6 Wehner: No.

7 Q: I mean, do you think you'll lose a few percentage points of growth here?  
 Or how do you view that?

8 Li: No, sorry, I'm not suggesting that at all. We certainly see an impact. It's  
 9 just the impact is very much in-line with what we had expected sort of going into  
 iOS 14.5 being rolled out.

10 So that's been factored into—I think accurately into our Q1 and Q2 guidance that  
 11 we had given and now into our performance. But there is definitely an impact,  
 although I don't think we've quantified that.

12 87. Meta's weak financial results and outlook were a partial revelation, and a partial  
 13 materialization of the concealed risk, that Apple's iOS privacy changes were materially affecting  
 14 the Company's operations. As a direct and proximate result of this partial corrective disclosure  
 15 and/or materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta  
 16 common stock fell \$14.96 per share, or 4.01%, to close at \$358.32 per share on July 29, 2021.

### 17 **3. Third Quarter 2021**

18 88. On October 25, 2021, Meta held a conference call with investors to discuss financial  
 19 results from the third quarter of 2021 (the "October 25, 2021 Investor Call"). On that call,  
 20 Defendant Sandberg noted that the Company was experiencing an impact of Apple's iOS privacy  
 21 changes:

22 We started to see that impact in Q2, but adoption on the consumer side ramped up  
 23 by late June, so it hit critical mass in Q3. As a result, we've encountered two  
 24 challenges. One is that the accuracy of our ads targeting decreased, which increased  
 the cost of driving outcomes for our advertisers. And the other is that measuring  
 those outcomes became more difficult.

25 89. Yet again, Defendants pivoted and continued to reassure the market that Meta was  
 26 taking actions to mitigate the impact of ATT on the Company's business. Most prominently,  
 27 Defendant Sandberg discussed as one of "two challenges" the "measuring" of outcomes. Sandberg  
 28

1 then suggested that Meta’s measurement problem concerned “underreporting iOS web  
2 conversions,” and assured investors that Meta could address “more than half of the underreporting  
3 by the end of this year [2021]”:

4 On measurement, as we wrote in a recent blog post, we believe we are  
5 underreporting iOS web conversions. This means real world conversions, like sales  
6 and app installs, are higher than what’s being reported for many advertisers,  
especially small advertisers. We’re making good progress fixing this. We think  
we’ll be able to address more than half of the underreporting by the end of this year.

7 90. Later on the same call, Defendant Sandberg directly stated that Meta faced “two  
8 big challenges” from Apple’s iOS changes, targeting and measurement, and stated that Meta could  
9 effectively address more than half of the measurement “big challenge” by the end of the year:

10 There are two big challenges coming from this iOS changes. The one is targeting  
11 and one is measurement. I’m taking the second one first. On measurement, we  
think we can address more than half of that underreporting by the end of the year  
....

12 91. Similarly, on the follow-up conference call with investors the same day (the  
13 “October 25, 2021 Investor Follow-Up Call”), Defendant Li assured investors that the impact of  
14 iOS was within the Company’s “expected” range, and at the same time misleadingly suggested to  
15 investors that the central reason for the large impact was underreporting of website conversions, a  
16 problem she assured investors Meta was focused on mitigating:

17 We had a range of expected impact from the [ATT] changes and ultimately what  
18 we’ve seen is in that range but it’s really on the higher end of what we had expected,  
19 and I think the underreporting of web conversions has really been a bigger issue  
than we expected, but it’s something that we’re very focused on helping to through  
better modeling techniques.

20 92. These statements by Sandberg and Li that Meta believed it could resolve the  
21 majority of one of Meta’s “two big challenges” from iOS misled investors to believe that Meta’s  
22 mitigation efforts were likely to be successful in preventing ATT from having a material impact  
23 on Meta’s targeting and measurement capabilities and revenues.

24 93. Moreover, Defendants’ statement that the impact of the iOS changes was in the  
25 range of what the Company had expected again must be read in the context of the Company’s prior  
26 statements that the impact of iOS was expected to be “manageable” and not “material.” In this  
27 context, Defendants statements that the iOS impact was in the expected “range” misled investors  
28

1 to believe that the iOS changes were still a “manageable” problem that would not have a “material”  
 2 impact on the Company’s business.

3 94. Additional statements on these calls reinforced this impression. On the October 25,  
 4 2021 Investor Call, Defendant Zuckerberg stated that “we expect we’ll be able to navigate these  
 5 headwinds [related to iOS] over time with investments that we’re already making today.” Later  
 6 on that same call, Zuckerberg also stated:

7 As Apple’s changes make e-commerce and customer acquisition less effective on  
 8 the web, solutions that allow businesses to set up shop right inside our apps will  
 9 become increasingly attractive and important to them. We’ve built solutions like  
 10 ads that can dynamically point to either a business’s website or their Shop on our  
 11 platforms depending on what will perform better for them, and that will help more  
 12 businesses navigate this challenging environment.

13 95. Defendant Wehner also stated on this call that “on the iOS question as it relates to  
 14 Q4 versus Q3, the bulk of iOS 14 updates were completed as we entered Q3, which contributed to  
 15 the step up in the impact from Q2 to Q3. Since iOS 14 is now widely adopted, we don’t expect a  
 16 similar step up in Q4.”

17 96. While the Company acknowledged on its conference call that it had experienced an  
 18 impact from Apple’s iOS privacy changes in the second and third quarters of 2021, the Company  
 19 at no point stated or implied that the iOS privacy changes had had a *material* impact on its business.  
 20 To the contrary, the Company’s statements broadly suggested that the impact amounted to  
 21 manageable, immaterial headwinds that the Company was successfully taking steps to mitigate.

22 97. In its SEC filings, Meta once again directly implied that the impact of Apple’s iOS  
 23 privacy changes was not having a material impact on its business. On October 26, 2021, Meta  
 24 filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company’s financial and  
 25 operating resulting for the quarter ended September 30, 2021 (the “3Q21 10-Q”). In the 3Q21 10-  
 26 Q, Meta stated:

27 [O]ur advertising revenue in the third quarter of 2021 was negatively impacted by  
 28 marketer reaction to targeting and measurement challenges associated with iOS  
 changes. *If we are unable to mitigate these developments as they take further effect  
 in the future, our targeting and measurement capabilities will be materially and  
 adversely affected, which would in turn significantly impact our future advertising  
 revenue growth.*

(Emphasis added.)



98. This statement was materially false and misleading because it directly implied that Meta’s “targeting and measurement capabilities” had not yet been “materially and adversely affected” by Apple’s iOS privacy changes, and that those changes had not yet “significantly impact[ed]” Meta’s “advertising revenue growth.” In fact, as explained below, by the time this statement was made, Meta’s “targeting and measurement capabilities” already had been “materially and adversely affected” by Apple’s iOS privacy changes. By Q3 2021, Meta’s signal match rate, a measure of its targeting and measurement capabilities, had been decreased by 40%. Likewise, as explained below, Apple’s iOS privacy changes already had “significantly impact[ed]” Meta’s “advertising revenue growth”—the changes decreased Meta’s advertising revenue in Q3 by greater than 5%.

99. Meta’s weak financial results and outlook were a partial revelation, and a partial materialization of the concealed risk, that Apple’s iOS privacy changes were materially affecting the Company’s operations. As a direct and proximate result of Meta’s partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants’ fraud, the price of Meta common stock fell \$12.88 per share, or 3.92%, to close at \$315.81 per share on October 26, 2021.

**D. Contrary to Meta’s Representations, Apple’s iOS Changes Had a Material Impact on Meta’s Targeting and Measurement Capabilities, and on Meta’s Revenues and Financial Performance, by Q2 2021 at the Latest**

**1. Apple’s iOS Changes Had a Material Impact on Meta’s *Targeting and Measurement Capabilities* by Q2 2021 at the Latest**

100. Upon its introduction in Q2 2021, ATT was quickly adopted by the vast majority of iPhone users and immediately had a material adverse impact on Meta’s targeting and measurement capabilities. On the October 25, 2021 Investor Call, Defendant Wehner expressly confirmed that “the bulk of iOS 14 updates were completed as we entered Q3” and that “iOS 14 is now widely adopted.” Defendant Sandberg likewise confirmed on the October 25, 2021 Investor Call that “adoption on the consumer side ramped up by late June” and “hit critical mass in Q3.” Multiple former employees below confirm that approximately 85% of Apple iPhone users had adopted iOS’s new privacy settings by June 2021.

a. *Former Employees Acknowledge that Apple’s iOS Changes Were Widely Adopted and Immediately Had a Material Impact on Meta’s Targeting and Measurement Capabilities by Q2 2021*

101. Given the widespread adoption of the iOS privacy changes, the impact of these changes on Meta’s targeting and measurement capabilities was immediate and material, as former employees have acknowledged. A former employee (“FE1”) has confirmed that the iOS privacy changes immediately and materially impacted Meta’s targeting and measurement capabilities. FE1 started to work at Meta in July 2015 as a Senior Product Support Analyst. In January 2016, FE1 shifted to a role as Product Support Lead, and in October 2016, FE1 became a Client Solutions Manager before being promoted to Senior Client Solutions Manager in January 2018. FE1 left Meta in January 2022. FE1 worked out of the Company’s headquarters in Menlo Park, California. As a Senior Product Support Analyst, FE1 identified project risks and set up alarm alerts based on product bug reports. As a Product Support Lead, FE1 worked to launch new products and helped build a new Facebook Concierge team to resolve engineering and other issues. FE1’s Client Solutions roles involved “managing Apple and Google ads relationships.” FE1 reported to Industry Manager—Technology and Telecommunications Noah Choi, who reported to Director, Head of Industry—Technology, Mobile and Connectivity Jonathan Kratz. Kratz in turn reported to Director, Technology Mobility and Connectivity—Global Marketing Solutions Stephanie Latham, who reported to VP, Global Marketing Solutions Nada Stirratt and VP, Global Business Group Carolyn Everson. Stirratt in turn reported to Chief Revenue Officer David Fischer, who reported directly to Chief Operating Officer Sheryl Sandberg.

102. FE1 was tasked with writing a brief detailing the planned iOS privacy changes and the anticipated revenue implications on Meta’s advertising with Apple, Google, Intel, Microsoft, and other tech accounts. FE1 stated that this brief, titled approximately “Impact of iOS 14” (the “iOS Impact Brief”) in the form of a Google Doc, was emailed directly to VP, Global Marketing Solutions Nada Stirratt, two levels below Defendant Sandberg in June 2020. FE1 confirmed that his iOS Impact Brief was incorporated into a larger memorandum on the impact of iOS and that that memorandum was sent to Defendant Sandberg, also in or around June 2020. FE1 confirmed



1 that the iOS Impact Brief FE1 sent to VP Stirratt was not a draft and that the content of his  
2 contribution was not substantively modified when incorporated in the larger memorandum sent to  
3 Defendant Sandberg.

4 103. FE1 confirmed that approximately 85% of Apple iPhone users had adopted iOS's  
5 new privacy settings by June 2021, and that the iOS privacy changes immediately and materially  
6 impacted Meta's targeting and measurement capabilities upon their adoption. FE1 precisely  
7 quantified the projected and actual impact of the iOS privacy changes on Meta's targeting and  
8 measurement capabilities, which according to FE1, are calculable by calculating signal match  
9 rates. As explained above, the signal match rate is the number of users out of a user population  
10 interacting with an ad for which Meta can receive information about whether the user's actions  
11 triggered the advertiser's "signal." The "signal match rate" is calculated as the number of users  
12 for which Meta can receive that information divided by the total user population interacting with  
13 the ad. The signal match rate is a numerical measure of how well Meta can measure the  
14 effectiveness of an advertisement, and in turn the extent to which Meta can provide information to  
15 advertisers to target users similarly likely to be affected by the advertisement. According to FE1,  
16 Meta's signal match rates for advertisers were projected to decrease by about 65% due to the iOS  
17 privacy changes. When the iOS changes were introduced, the actual decrease in signal match rates  
18 was an equally staggering 40%, according to FE1. FE1 learned these figures from a team in Meta's  
19 data science division, which had been tasked with calculating the numerical impact of Apple's iOS  
20 changes on Meta's signal match rates. The data science team conveyed these figures to FE1 and  
21 his colleagues to assist them in their assessments of the iOS impact. FE1 explained that the impact  
22 of the iOS changes on Meta's business correlated with the user adoption rates of those changes.  
23 According to FE1, a decrease in signal match rates of 40% was highly material; FE1 agreed that  
24 by "material," FE1 meant that the decrease was so large as to be highly important in the mind of a  
25 reasonable investor when making decisions about investing in Meta. Specifically, according to  
26 FE1, a decrease in signal match rates of 40% was so massive that this decrease caused most  
27 advertisers not to increase their ad spend with Meta during this period on platforms affected by the  
28 iOS changes (i.e., the vast majority of Meta's business).

104. A former employee (“FE2”) confirmed that approximately 85% of Apple iPhone users had adopted iOS’s new privacy settings by June 2021. FE2 worked for Meta from August 2010 to February 2023 as a Local Business Consultant, Client Partner—Restaurants and Client Partner—Emerging Disruptors. FE2 initially worked out of Meta’s office in Austin, TX and later moved to the Company’s offices in New York City, NY. FE2 stated that he learned of the adoption rate through internal product managers at Meta who generated estimates about the adoption rate of the iOS privacy changes. FE2 stated that Meta was able to generate this estimate using data from Meta’s own software development kit or “SDK” that was installed on Meta users’ iPhones.

b. *Defendants Belatedly Admitted in their Statements that Apple’s iOS Changes Had a Material Impact on Meta’s Targeting and Measurement Capabilities by Q2 2021*

105. Indeed, Susan Li eventually admitted that the Company was experiencing a “significant” adverse impact on its targeting and measurement capabilities prior to Q4 2021. On the February 2, 2022 follow-up call with investors (the “February 2, 2022 Investor Follow-Up Call”) to discuss Q4 2021 results, Li stated, “There are *still significant targeting and measurement headwinds* that we are facing,” implying that the “significant targeting and measurement headwinds” did not begin in Q4, but rather were “still” continuing from at least Q3. (Emphasis added).

c. *The Revenue Impact of Apple’s iOS Changes in 2022 Shows that Apple’s iOS Changes Had a Material Impact on Meta’s Targeting and Measurement Capabilities by Q2 2021*

106. Defendants’ February 2, 2022 revelation by Defendant Wehner on the February 2, 2022 earnings call with investors (the “February 2, 2022 Investor Call”) that the impact of the iOS changes on Meta’s 2022 revenues would be \$10 billion also shows that the impact of the iOS privacy changes on Meta’s targeting and measurement capabilities had been material, and indeed severe. As explained above, ATT and Apple’s iOS privacy changes had been implemented and adopted by most of the users who were going to adopt them by Q2 2021—85% of users had adopted Apple’s iOS privacy changes by June 1, 2021. As Defendant Sandberg admitted on the

October 25, 2021 Investor Call, the adoption of iOS ramped up by June 2021 and so hit a “critical mass” around that time. Therefore, by the end of Q2 2021, approximately the full damage to Meta’s targeting and measurement capabilities from the iOS changes had been sustained. That sustained damage to Meta’s targeting and measurement capabilities was material, at a minimum, if, at any point in the future, that loss of capability would cause Meta’s financial results to suffer materially. Sure enough, as Defendant Wehner admitted in his February 2, 2022 disclosure, the sustained damage to Meta’s targeting and measurement capabilities caused Meta’s financial results to suffer materially in 2022. Therefore, the damage to Meta’s targeting and measurement capabilities sustained by June 1, 2021 was material—Apple’s iOS changes had caused a material adverse impact on Meta’s targeting and measurement capabilities by June 1, 2021.

**2. Apple’s iOS Changes Had a Material Impact on Meta’s Revenues by Q3 2020 at the Latest**

*a. Former Employees Acknowledge that Apple’s iOS Changes Were Widely Adopted and Immediately Had a Material Impact on Meta’s Revenues by Q2 2021*

107. Former employees have confirmed that Apple’s iOS privacy changes had materially impacted Meta’s business and revenues by Q2 2021. According to FE1, Meta learned about the planned iOS privacy changes in late 2019, about six to eight months before Apple announced them publicly in June 2020. As explained above, FE1 was tasked with writing a brief detailing the planned iOS privacy changes and the anticipated revenue implications on Meta’s advertising with Apple, Google, Intel, Microsoft, and other tech accounts. FE1 confirmed, based on FE1’s knowledge acquired in working on this brief and related tasks, that Meta began to see a material drop in revenue due to the iOS privacy changes in the second quarter of 2021. According to FE1, the iOS privacy changes caused a drop of approximately 4% in advertising revenues by the end of Q2, 2021, and caused a drop of greater than 5% in Q3 and Q4 2021. FE1 learned this information in part through assessing the revenue impact of the iOS changes on FE1’s business vertical and in assessing whether the actual impact aligned with the predicted impact. FE1 learned of the broader impact of the iOS changes on Meta through discussing with his colleagues how

1 those changes impacted the remaining business vertical at Meta. According to FE1, the impact on  
2 FE1's colleagues' verticals was similar to, and in the case of e-commerce greater than, the impact  
3 on the tech advertiser vertical—the impact was approximately 4% in advertising revenues by the  
4 end of Q2, 2021, and a drop of greater than 5% in Q3 and Q4 2021. FE1 stated, “I know that all  
5 of the verticals were providing similar reports to senior leadership.” According to FE1, these  
6 impacts were in line with the Company's projections included in the larger iOS Impact Brief FE1  
7 wrote in part. FE1 again confirmed that his iOS Impact Brief was incorporated into a larger  
8 memorandum and that that memorandum was sent to Defendant Sandberg. FE1 confirmed that  
9 the iOS Impact Brief FE1 sent to VP Stirratt was not a draft and that its content was not  
10 substantively modified when incorporated in the larger memorandum sent to Defendant Sandberg.

11 108. Another former Meta employee, (“FE3”), confirmed that Meta conducted an  
12 extensive analysis of the projected impact of Apple's iOS changes on Meta's targeting and  
13 measurement capabilities, including the degree of loss of signal information, and on Meta's  
14 financial results, including its revenues. FE3 worked for Meta from August 2019 to October 2021  
15 with the titles, successively, Product Marketing Manager—Ads Targeting; Product Marketing  
16 Manager—Ads Signals and Delivery; and Product Marketing Manager, New Facebook  
17 Experiences. FE3 worked in San Francisco and reported to a Product Marketing Manager Lead,  
18 who in turn reported to a Director of Product Marketing, who reported to other executives of the  
19 Company. According to FE3, FE3 learned about Meta's analysis of the impact of iOS changes on  
20 Meta's targeting and measurement capabilities as a member of the product marketing section of  
21 the Ads Signals team, where “this was our product.” FE3 participated in weekly product team  
22 calls on which the analysis was discussed, though FE3 did not personally conduct the analysis.  
23 FE3 stated that Meta's analysis of the iOS impact began prior to December 2020.

24 109. A final former employee (“FE4”) further confirms the accounts of FE1, FE2, and  
25 FE3. FE4 confirmed that the iOS privacy changes “definitely” had an impact of greater than 5%  
26 of Meta's revenue from technology-focused advertisers. FE4 worked for Meta from October 2019  
27 to April 2022 as a Client Partner, a sales role in which FE4 worked with large clients that advertised  
28 with Meta, specifically technology-focused clients. FE4 worked out of Meta's office in New York

1 City, NY and reported to Director, Head of Industry—Technology, Mobile, and Connectivity  
 2 Jonathan Kratz, who reported to Director—Advertising Partnerships—Technology, Mobility &  
 3 Connectivity Stephanie Latham. Latham reported to Vice President of Global Marketing Solutions  
 4 Nada Stirratt. According to FE4, FE4 learned that “the vast majority” of technology-focused  
 5 advertisers decreased ad spending with Meta as the iOS 14 privacy changes took effect in Q3 2021,  
 6 based on numbers that FE4 saw in reports shared during monthly team meetings led by Latham  
 7 and occasionally attended by Stirratt. During these meetings, FE4 stated they would “go over  
 8 vertical performance, vertical attainment to target, go through key accounts,” including accounts  
 9 that were “growing” or “lagging.” FE4 estimated that he likely first saw these types of numbers—  
 10 showing that “the vast majority” of technology-focused advertisers were decreasing ad spending—  
 11 in July or August 2021. According to FE4, the impact was especially significant with “direct-  
 12 response” focused clients like Amazon, for example, whose goal was converting users directly into  
 13 sales, and that some advertisers, such as Verizon, stopped advertising with Meta altogether. FE4  
 14 stated that as the privacy changes took effect and started having an impact on Meta’s advertising  
 15 business, sales staff were “missing quotas year over year” and growth was “stagnant or slightly  
 16 down” and it became clear that “the momentum of the previous few years had stalled out or started  
 17 to backslide.” Recognizing this, Meta started offering “relief” to sales staff, such as by “removing  
 18 floors” that had been in place to trigger incentives payouts, according to FE4. FE4 stated that CEO  
 19 Mark Zuckerberg addressed employee questions about the impact of the iOS privacy changes  
 20 during weekly or biweekly “Ask Mark” video sessions. FE4 also confirmed that 85% of users had  
 21 adopted the iOS privacy changes by Q2 2021, which according to FE4, Meta had been tracking  
 22 internally via third-party companies like Statista or Insider Intelligence.

23 110. FE2 likewise confirmed that the financial impact of the iOS privacy changes  
 24 became severe by Q3 2021. By Q3 2021, FE2, other client partners with whom FE2 interacted,  
 25 and entire partner client teams with which FE2 was familiar, started missing their sales goals. This  
 26 was particularly true for client partners working with clients in the areas of e-commerce, gaming,  
 27 apps and any retail with online sales. Together, according to FE2, these types of clients made up  
 28 most of Meta’s advertising clients. FE2 estimated that clients decreased their ad spending by 20-

30% on average from Q2 2021 to Q3 2021. Other clients simply “paused” their advertising, i.e., stopped advertising with Meta entirely, after the iOS privacy changes went into effect. According to FE2, by Q3 2021, FE2 and the other client partners went from hitting or exceeding their quarterly sales goals to “not even hitting” their “floor” threshold, which was 80% of the sales goal. The problems continued in Q4 2021—the entire sales group to which FE2 belonged missed its goals by “close to 10%” in Q4 2021. According to FE2, Q3 2021 was the first time in his career that FE2 and his colleagues were not hitting their numbers.

111. FE2 estimated, based on information about client teams missing their goals, that the iOS changes negatively impacted Meta’s total advertising revenues by 10-15% in Q3 2021, and stated that this estimate was “somewhat conservative.” FE2 stated he was “very confident” that the iOS privacy changes had a negative impact of 5% or greater on Meta’s advertising revenue in Q3 2021.

112. FE1’s statement that Apple’s iOS changes on Meta’s revenues decreased revenues 4% in Q2 2021, and FE1 and FE2’s statements that the changes decreased revenues by greater than 5% in Q3 and Q4 2021, indicate that these changes had an even greater impact on Meta’s net income and other measures, including growth rate. As shown in Exhibit A to this complaint, prepared by a certified public accountant, the 4% decrease in revenue in Q2 2021 from Apple’s iOS changes caused a manifestly material 6.7% decrease in net income in Q2 2021. Similarly, the 5% decrease in revenue in Q3 2021 from Apple’s iOS changes caused a manifestly material 9.6% decrease in net income in Q3 2021. Together, the iOS changes decreased Meta’s net income in 2021 by a material 6.7%. The iOS changes decreased the year-over-year change in advertising revenue in Q2 2021 from 62% to 56%, and in Q3 2021 from 40% to 33%, resulting in a negative impact of approximately 11% on Meta’s Q2 2021 advertising revenue growth rate and a negative impact of approximately 21% on Meta’s Q3 2021 advertising revenue growth rate. An explanation for the preparation of these figures, by a certified public accountant, appears as Exhibit B to this complaint.

b. *Defendants Admitted in their Statements that Apple’s iOS Changes Had a Material Impact on Meta’s Revenues by Q2 2021*



113. Defendants’ own statements make clear that Apple’s iOS changes caused a material impact on Meta’s revenues by Q3 2021 at the latest. On calls with investors on February 2, 2022, Defendant Wehner repeatedly admitted that the iOS changes had had a material impact on the Company’s revenue and business in Q3 and Q4 of 2021. For example, on the February 2, 2022 Investor Follow-Up Call, Wehner stated, “the iOS 14.5 rollout – which was most significant, which was mid last year – . . . *really impacted our growth rates in Q3 and Q4.*” (Emphasis added.) This statement is a direct admission that the iOS rollout materially impacted Meta’s business in Q3 and Q4 of 2021. Likewise, on the February 2, 2022 Investor Call, Defendant Wehner referenced the “*big iOS 14 headwinds*” in the second half of 2021. (Emphasis added.) Defendants had never previously characterized the iOS 14 headwinds as “big” or otherwise previously characterized them as being material.

114. Also on Meta’s February 2, 2022 Investor Call for 4Q 2021, Defendant Wehner stated:

On iOS, we saw the revenue impact with iOS 14 – sorry, iOS just in general, *in Q4*, and that was in line with our expectations and *similar to the Q3 headwind.*

[ . . . ]

And we believe the impact of iOS overall as a headwind on our business in 2022 is on the order of \$10 billion, so it’s a pretty significant headwind for our business. And we’re seeing that impact in a number of verticals. E-commerce was an area where we saw *a meaningful slowdown in growth in Q4.* And similarly, we’ve seen other areas like gaming be challenged.

[ . . . ]

[W]e know that e-commerce is one of the most impacted verticals from iOS restrictions.

(Emphasis added.)

115. In these statements, Wehner expressly admitted that the headwind in Q3 was “similar to” the headwind in Q4, and that the headwind in Q4 included, first and foremost, “a meaningful slowdown in growth” in e-commerce, “one of the most impacted verticals from iOS restrictions.” Accordingly, in these statements, Wehner admits that Meta experienced a “meaningful slowdown” in growth in Q3 from the iOS restrictions. Again, Defendants had never

1 previously characterized the slowdown in growth from iOS restrictions as “meaningful” or  
 2 otherwise previously characterized the slowdown as being material.

3 116. Also in these statements, Wehner directly implied that the magnitude of the impact  
 4 of the iOS changes of \$10 billion for 2022 was comparable to the current magnitude of the impact  
 5 of the iOS changes the Company already experienced in the second half of 2021. Wehner stated,  
 6 about the \$10 billion impact, “*we’re seeing that impact* in a number of verticals. E-commerce  
 7 was an area where *we saw a meaningful slowdown in growth in Q4*. And similarly, *we’ve seen*  
 8 *other areas* like gaming *be challenged*.” (Emphasis added.) By describing the \$10 billion impact  
 9 as a continuation of the trend of meaningful slowdown that the Company was already seeing across  
 10 “a number of verticals,” including expressly “in Q4,” which was “similar to the Q3 headwind,”  
 11 Wehner made clear that the trend expressed in the \$10 billion impact in 2022 was not newly  
 12 appearing in 2022—the Company had been experiencing similar slowdown in at least Q3 and Q4.

13 117. On the same investor calls, Defendant Wehner separately confirmed that the iOS  
 14 changes had had a material impact on Meta’s financial results in Q3 and Q4 2021, and that the  
 15 magnitude of the \$10 billion impact of ATT in 2022 was a continuation of a comparable impact in  
 16 the second half of 2021, when he repeatedly stated that year-over-year performance comparisons  
 17 between Q1/Q2 2021 and Q1/Q2 2022 would be difficult, while *the comparison between Q3/Q4*  
 18 *2021 and Q3/Q4 2022 would not similarly be difficult*. For example, on the February 2, 2022  
 19 Investor Call, Defendant Wehner stated,

20 [T]he changes made with iOS 14.5 . . . really *started to have an impact more*  
 21 *seriously* on the business *in the second half of last year*. So I think that lapping  
 22 effect is going to be *very pronounced* in the *first half* of the year where we’re  
 lapping periods that didn’t have that impact. So that’s where we’re going to see the  
 biggest impact from the lapping.

23 (Emphasis added.)

24 Similarly on the February 2, 2022 Investor Call, Defendant Wehner stated,

25 On iOS 14, we saw the revenue impact with iOS 14 -- sorry, iOS just in general, in  
 26 Q4, and that was in line with our expectations and similar to the Q3 headwind. But  
 27 obviously, as we go into 2022, we’re going to be lapping a period in which in Q1  
 and Q2, those headwinds were not in place in the year ago period. So that definitely  
 makes for *a tough comp* in the *first half* of the year.

28 (Emphasis added.)



1 Likewise, on the February 2, 2022 Investor Follow-Up Call, Wehner stated, “[T]he point that those  
 2 headwinds will be *particularly strong* as it relates to year-over-year growth in the *first half of the*  
 3 *year* is correct.”

4 118. That the performance comparisons between Q1/Q2 2021 and Q1/Q2 2022 would  
 5 be “a tough comp” due to the iOS changes, while the comparison between Q3/Q4 2021 and Q3/Q4  
 6 2022 would not similarly be tough, shows that the impact of the iOS changes in Q3/Q4 2021 was  
 7 material and similar in magnitude to the projected magnitude of the impact on Q3/Q4 2022. Put  
 8 differently, were Meta not to have experienced a material impact on its performance in Q3/Q4  
 9 2021 from iOS, the comparison between Q3/Q4 2021 and Q3/Q4 2022 would be just as “tough.”

10 c. *The Revenue Impact of Apple’s iOS Changes in 2022 Shows that*  
 11 *Apple’s iOS Changes Had a Material Impact on Meta’s Revenues*  
 12 *by Q2 2021*

13 119. Additionally, the Company’s statements about its historic and projected revenue,  
 14 combined with its statement that the impact of the iOS changes in 2022 would be \$10 billion,  
 15 together imply that the minimum quantitative impact on revenue was material. Meta disclosed  
 16 that its projected revenue growth for Q1 2022 was 3-11% year-over-year, and the Company gave  
 17 reasons to expect revenue growth to be lower in 2022 than in 2021 given that year-over-year  
 18 comparisons for the first half of the year would be made with periods prior to the iOS changes (in  
 19 addition to various headwinds). *See* ECF No. 61-17 at 8. Even assuming, contrary to its  
 20 statements, that Meta projected revenue growth to be the same in 2022 as it was in 2021, and so  
 21 projected 2022 revenue to increase at a rate of 37% year-over year, Meta’s revenue would have  
 22 been projected to be \$161,562,730,000 in 2022. Accordingly, even under the most extreme  
 23 assumption about the Company’s projected revenue that remains consistent with its statements  
 24 implying lower 2022 growth, the Company’s projected impact of \$10,000,000,000 on its revenue  
 25 would equal a headwind of 6.189% on revenues of \$161,562,730,000, and an even greater  
 26 percentage impact on net income. An ongoing headwind of at least 6.189% on Meta’s quarterly  
 27 2021 revenues and net income was material under SEC’s and accountants’ rule-of-thumb threshold  
 28 for materiality of 5%. *See* SEC, Staff Accounting Bulletin No. 99, 64 FR 45150-01 (1999). These

calculations align neatly with, and reinforce, FE1's statement that the impact of the iOS changes of Meta's revenues in Q3 and Q4 was greater than 5%.

**E. Defendants Knew the Impact of the iOS Changes Were Material Because They Repeatedly Informed Investors that the Impact of Apple's iOS Changes Were in Line with the Company's Expectations**

120. Even before the introduction of Apple's iOS privacy changes, Meta noted that it would calculate the impact of Apple's iOS privacy changes on its business. Speaking at the 2021 Morgan Stanley Technology, Media and Telecom Conference, Defendant Wehner stated:

We're going to be watching when this actually launches, we expect it to be in Q1, so later in March. And then there's going to be the question of what's the pace of upgrades to iOS 14, which is a little bit more known because we're able to sort of monitor the pace of other updates in the past. We'll be obviously looking at what the opt-in rates are there.

121. After the introduction of Apple's iOS privacy changes, at multiple points during the Class Period, Defendants assured investors that the impact of Apple's iOS privacy changes was in line with the Company's expectations, as detailed below. Accordingly, the Company repeatedly admitted that it had conducted internal studies calculating the impact of Apple's iOS privacy changes on Meta's business. Moreover, Meta's CFO Wehner was clearly aware of these studies and their results because he commented on them repeatedly and referred to them to assure investors that the impact of Apple's iOS privacy changes on Meta's business was in line with the Company's expectations.

122. On the July 28, 2021 Investor Call to discuss the Company's financial results for the second quarter of 2021, Defendant Wehner, Meta's CFO, assured investors that "the impact from the ATT changes [have] really generally been in line with [Meta's] expectations."

123. On the July 28, 2021 Investor Follow-Up Call, Defendant Li stated:

I think the impact of ATT has been really quite close on almost all of the dimensions that we look at when we think about kind of the iOS adoption curve, the impact post opt-out to ARPU. Those have all been quite similar to the early projections that we had that we kind of had factored into our Q1 and Q2 guidance. So I think – so that's really been pretty constant.

1           124. On the October 25, 2021 Investor Follow-Up Call to discuss the Company's  
2 financial results for the third quarter of 2021, Defendant Li assured investors that the impact of  
3 iOS was within the Company's expected range:

4           [W]e had a range of expected impact from the [ATT] changes and ultimately what  
5 we've seen is in that range but it's really on the higher end of what we had  
expected . . . .

6           125. On the February 2, 2022 Investor Call, Defendant Wehner stated:

7           On iOS 14, we saw the revenue impact with iOS 14—sorry, iOS just in general, in  
8 Q4, and that was in line with our expectations and similar to the Q3 headwind. [. . .]  
9 And we believe the impact of iOS overall as a headwind on our business in 2022 is  
on the order of \$10 billion, so it's a pretty significant headwind for our business.

10           126. Defendants Wehner and Li's knowledge may be imputed to Meta.

11           127. Moreover, as explained above, *supra* Part V.D, FE1 has confirmed that Meta began  
12 to see a material drop in revenue due to the iOS privacy changes in the second quarter of 2021,  
13 and that Defendants were aware of this drop. FE1 confirmed that a combined brief assessing the  
14 predicted impact of the iOS changes on Meta's targeting and measurement revenues was sent to  
15 Defendant Sandberg, among other recipients, in or around June 2020. FE1 confirmed that the  
16 actual impact of the iOS changes that materialized was in line with the predicted impact and was  
17 greater than 5% of revenues beginning in Q3 2021 at the latest and greater than 4% of revenues  
18 (and so greater than 5% of net income) by Q2 2021.

19           **F. Meta Disclosed the Truth that the Impact of Apple's iOS Privacy Changes**  
20           **Had Been Highly Material, and Investors Were Stunned**

21           128. Prior to February 2022, while Meta had noted that Apple's iOS changes were  
22 having "an impact," without characterizing the magnitude or significance of that impact, Meta had  
23 never previously stated or implied that the impact of Apple's iOS changes on Meta's targeting and  
24 measurement capabilities and revenues was material or significant or "big."

25           129. On February 2, 2022, Meta held the February 2, 2022 Investor Call and Investor  
26 Follow-Up Call with investors to discuss its financial results for the fourth quarter of 2021. On  
27 February 3, 2022, Meta released its Annual Report for 2021 on Form 10-K. As explained above,  
28 in these communications, Defendants finally revealed, in multiple statements, that Apple's iOS

1 privacy changes had in fact been having a massive, material adverse impact on Meta’s  
 2 measurement and targeting capabilities, and a material adverse impact on Meta’s revenues and  
 3 profits from its ad sales.

4 130. For example, as explained above, on the February 2, 2022 Investor Follow-Up Call,  
 5 Wehner stated, “the iOS 14.5 rollout – which was most significant, which was mid last year – . . .  
 6 **really impacted our growth rates in Q3 and Q4.**” (Emphasis added.) Likewise, as noted above,  
 7 on the February 2, 2022 Investor Call, Defendant Wehner stated that “we believe the impact of  
 8 iOS overall as a headwind on our business in 2022 is on the order of \$10 billion, so it’s a pretty  
 9 significant headwind for our business.” The disclosure that the iOS changes would negatively  
 10 impact Meta’s business by \$10 billion in 2022 revealed that Meta had misled investors about the  
 11 impact of the iOS changes both on (1) Meta’s targeting and measurement capabilities and (2) on  
 12 Meta’s revenues, as explained above.

13 131. Also on the February 2, 2022 Investor Follow-Up Call, Defendant Li stated, “There  
 14 are **still significant targeting and measurement headwinds** that we are facing,” implying that the  
 15 “significant targeting and measurement headwinds” did not begin in Q4, but rather were “still”  
 16 continuing from at least Q3. (Emphasis added.)

17 132. Defendant Li likewise revealed for the first time that, while the Company’s did  
 18 mitigate “half” of the underreporting gap in web conversions, this gap was not one of the “big”  
 19 challenges from the iOS changes, but rather “a very small slice of the overall . . . revenue  
 20 landscape”:

21 [T]hat particular sort of underreporting gap we called out, we did succeed in closing  
 22 approximately half of it, but it was really a very specific area that we were  
 23 underreporting, and it was a very small slice of the overall—the overall revenue  
 24 landscape.

25 133. These admissions caused over 26% of Meta’s market capitalization to be wiped out  
 26 in one day, as the value of Meta’s common stock sank over \$85 a share, and other drops represented  
 27 partial materializations of related risks Meta had concealed, as detailed below in Part X.

28 134. As confirmation that Meta had thoroughly misled investors about the materiality of  
 the impact of the iOS changes on Meta’s targeting and measurement capabilities and revenues, the

1 most sophisticated stock analysts in the world were completely caught off guard by Meta's  
 2 announcement of the impact. J. P. Morgan's Meta analysts wrote, "We believe the *iOS headwind*  
 3 of ~\$10B this year is . . . *much bigger than expected.*" (Emphasis added.) Indeed, J.P. Morgan's  
 4 analysts expressly stated that they believed Meta's description of the iOS impact as "manageable"  
 5 had led him to believe that the impact was not on the order of \$10 billion per year.

6 Through 4Q, we were optimistic that FB was making tangible progress in  
 7 recovering lost signal stemming from the iOS ad changes. However, we believe  
 8 management's tone around iOS impact has deteriorated, and *what was once*  
 9 *described as "manageable" now appears to be a \$10B revenue headwind in 2022.*

10 (Emphasis added.)

11 135. Analysts from Morgan Stanley stated, concerning "IDFA (measurement and  
 12 attribution)" that "the headwinds are not finished blowing . . . and *they are stronger than we*  
 13 *appreciated*" (alteration in original) (emphasis added).

14 136. An Evercore ISI analyst reported that the "*magnitude & duration of [Meta's]*  
 15 *headwinds*" were "*greater than we had anticipated.*" (Emphasis added.)

16 137. Analysts' predictions, which they had generated assuming an immaterial impact  
 17 from iOS privacy changes, were completely off for that reason. A MKM Partners' analyst reported  
 18 that Meta's "1Q guidance (*surprisingly and*) *clearly below our/Street expectations*" citing to  
 19 "Y/Y comps, *iOS related headwinds*, and engagement mix-shift towards under-monetized surface  
 20 areas [Reels] as key reasons for weak guidance." (Emphasis added.)

21 138. Analysts at Bank of America stated, "[g]uidance was a *surprise, with bigger than*  
 22 *expected impact from* Reels transition and *iOS headwinds.*" (Emphasis added.) The analysts  
 23 specifically stated that "Facebook will face an est. \$10bn of '22 IDFA related pressure (potentially  
 24 up to 15% of iOS revenues), which accounts for vast majority of the \$5bn revenue cut in our  
 25 model."

26 139. An RBC Capital Markets analyst report stated that the outlook was "meaningfully  
 27 below expectations, on . . . ATT/IDFA headwinds" and that "*Apple signal loss (ATT/IDFA) is*  
 28 *proving to be a bigger headwind than expected* with a \$10B impact on overall 2022 ad revenues."

(Emphasis added.) The analyst expressly added, “we think FB is in the *penalty box* until 2H at the earliest *given the disappointing management of investor expectations*.” (Emphasis added.)

**VI. META MISLED INVESTORS TO BELIEVE THAT META’S COO, DEFENDANT SANDBERG, WAS NOT RECEIVING IMPROPER ADDITIONAL BENEFITS IN THE FORM OF PERSONAL ASSISTANCE**

140. During the Class Period, Meta misled investors regarding Defendant Sandberg’s use of corporate resources for personal benefit to support her personal foundation, write and promote her second book, plan her wedding, and kill unflattering news stories about persons with whom she had a personal relationship. Under Instruction 4 to Item 402 of Regulation S-K, Sandberg was required to disclose these benefits (because their value exceeded \$10,000), but she did not. Accordingly, statements of her compensation were inaccurate and misleading. These misstatements of Sandberg’s compensation were material, not primarily because of the dollar value of the undisclosed benefits, but because the personal benefits received were prohibited under Meta’s Code of Conduct, and so exposed Meta to public criticism and Sandberg to Company investigation and sanctions. The statements were also material because they were untruths that Sandberg’s conduct had led the Company to disseminate, subjecting the Company itself to sanctions and scrutiny.

**A. Meta’s Code of Conduct Prohibits Use of Company Personnel for Personal Use Where Not Authorized**

141. Meta’s board of directors adopted a Code of Conduct, effective June 7, 2021, which outlines the principles and standards that all officers, directors, and employees acting on behalf of the Company must follow (the “Code of Conduct”). All Meta personnel are expected to uphold the principles and follow the requirements of this Code of Conduct. Potential violations of the Code of Conduct may result in internal investigations or audits. Violations of the Code of Conduct may result in disciplinary action, up to and including termination of employment or assignment and if necessary, referral to law enforcement.



142. To avoid conflicts of interest, the Code of Conduct prohibits officers, directors, and employees as well as their “personal connections or family members” from “receiv[ing] a personal benefit from [their] position at Meta.”

143. Potential conflicts of interest should be discussed with the Compliance team and a conflict review request should be submitted via the Company’s online tool. A failure to submit a conflict review request or adhere to any guidance provided by the Conflicts Committee who reviews such requests may result in disciplinary action, up to and including termination.

144. On February 3, 2022, Meta filed its Annual Report (the “February 3, 2022 10-K”) reporting the Company’s financial and operating results for the quarter and year ended December 31, 2021. The February 3, 2022 10-K incorporated the Code of Conduct by reference, stating “Our board of directors has adopted a Code of Conduct applicable to all officers, directors, and employees, which is available on our website (investors.fb.com) under ‘Leadership & Governance.’”

**B. Defendant Sandberg Repeatedly Received Personal Benefits Unrelated to Her Job, Including Assistance with Her Personal Book, Assistance in Planning Her Wedding, and Assistance in Private Matters**

145. The allegations in this section are based in substantial part on investigative reporting conducted by *The Wall Street Journal* based on sources with personal knowledge of the matters.<sup>9</sup> Lead Plaintiffs have taken steps to confirm that *The Wall Street Journal*’s reporting is based on reports from individuals with personal knowledge of the matters, including by interviewing a co-author of part of the reporting, *The Wall Street Journal* employee Keach Hagey, who confirmed that the Journal has a “stringent” fact review process.

146. As reported by *The Wall Street Journal* based on sources with personal knowledge of the matter, before and throughout the Class Period, including in 2021 and 2022, Defendant

<sup>9</sup> See Ben Fritz, Keach Hagey, Kirsten Grind and Emily Glazer, *Meta’s Sheryl Sandberg Pressured Daily Mail to Drop Bobby Kotick Reporting*, Wall St. J. (Apr. 21, 2022), available at <https://www.wsj.com/articles/sandberg-facebook-kotick-activision-blizzard-daily-mail-11650549074>; Deepa Seetharaman and Emily Glazer, *Meta Scrutinizing Sheryl Sandberg’s Use of Facebook Resources Over Several Years*, Wall St. J. (June 10, 2022), available at <https://www.wsj.com/articles/meta-scrutinizing-sheryl-sandbergs-use-of-facebook-resources-over-several-years-11654882829>.



1 Sandberg, Meta's COO, repeatedly used Company resources for undisclosed personal benefit,  
2 including assistance to support her personal foundation, write her personal book, plan her wedding,  
3 and squash adverse personal news stories, all of which were unrelated to her job at Meta. Sandberg  
4 announced she was stepping down from her role in the Company as Chief Operating Officer after  
5 fourteen years in early June 2022.

6 147. In 2016 and 2019, Sandberg worked with a team that included Facebook employees  
7 as well as paid outside advisers to develop and enact a strategy to persuade the digital edition of  
8 the *Daily Mail*, called *MailOnline*, not to report on a story that would have revealed the existence  
9 of a temporary restraining order against her then-boyfriend, Activision Blizzard Inc.'s Chief  
10 Executive Officer Bobby Kotick. The team worked to suppress the story both in 2016, when the  
11 couple began dating, and in 2019, when the couple was breaking up. Ms. Sandberg contacted  
12 *MailOnline* in both years.

13 148. In 2016, discussions about how to dissuade *MailOnline* from publishing an article  
14 about the restraining order included Defendant Sandberg, Mr. Kotick, multiple Facebook  
15 employees other than Defendant Sandberg, Activision employees, and outside public-relations  
16 advisers and lawyers in the U.S. and U.K., according to people with knowledge of the  
17 conversations, as reported by *The Wall Street Journal*. The group discussed what information they  
18 believed the *Daily Mail* had obtained and whether they could persuade the publication's leadership  
19 that Mr. Kotick had been wrongfully accused, according to one of the participants in the  
20 conversation. According to individuals familiar with Mr. Kotick's comments, Mr. Kotick has  
21 stated that Defendant Sandberg threatened the *MailOnline* in 2016 by saying that such an article  
22 against Mr. Kotick, if published, could damage the news organization's business relationship with  
23 Facebook. Executives at Facebook have asserted that any intervention by Defendant Sandberg  
24 over a news article, no matter what her specific words were, could well be perceived as a threat,  
25 given the social-media giant's power over web traffic and Sandberg's own power and influence.

26 149. Indeed, in 2016, Martin Clarke, then editor-in-chief of the *MailOnline*, told  
27 employees that he had heard from Defendant Sandberg and that the publication would not be  
28

1 running an article about the restraining order, according to a person familiar with the incident, as  
2 reported by *The Wall Street Journal*.

3 150. Defendant Sandberg and her team continued their strategy to suppress any story  
4 about a restraining order against Mr. Kotick in 2019. At that time, *MailOnline* was again looking  
5 into the matter. Defendant Sandberg emailed Jonathan Harmsworth, Viscount Rothermere, the  
6 great-grandson of the *Daily Mail*'s founder and chairman of its parent company, to express  
7 concerns about the potential article. Harmsworth referred the matter to then editor-in-chief Clarke.  
8 Mr. Clarke and Defendant Sandberg exchanged emails in 2019. Defendant Sandberg's team,  
9 including Facebook employees, successfully suppressed this personal story, as *MailOnline* never  
10 published a story on the restraining order against Mr. Kotick.

11 151. Notably, during their three-year relationship, from 2016 up to and including 2019,  
12 Mr. Kotick and Defendant Sandberg regularly tapped employees at one another's companies for  
13 public-relations advice, according to individuals close to the couple at the time, as reported by *The*  
14 *Wall Street Journal*. Moreover, in an ongoing capacity, including but not only in connection with  
15 the 2016 and 2019 attempts to address the potential *MailOnline* article about Mr. Kotick,  
16 Defendant Sandberg benefitted from work by Meta employees on some of her personal public  
17 relations, according to people familiar with the matter, as reported by *The Wall Street Journal*.

18 152. Mr. Kotick and a spokeswoman for Meta have made statements denying that  
19 Sandberg threatened the *Daily Mail* organization, but neither have denied that Defendant Sandberg  
20 used Company resources to address this personal matter and other personal public relations  
21 matters.

22 153. Sandberg used Meta resources to write and promote her second book, "Option B:  
23 Facing Adversity, Building Resilience, and Finding Joy," published in April 2017. Sandberg's  
24 first book, "Lean In: Women, Work, and the Will to Lead," a book on women in the workplace,  
25 sold millions of copies and gained Sandberg fame and notoriety, landing her on magazine covers  
26 and television shows. Meta staff assisted Defendant Sandberg during both of her book tours.  
27 Under the "Acknowledgments" section in both of her books, Sandberg gives thanks to these  
28 specific company employees. These individuals are listed in the below chart, together with their

position at Meta held in whole or in part during the time periods when Sandberg was drafting and promoting her books, and their approximate compensation ranges estimated based on the best available information, including public job post data for the same or comparable positions:

Name	Title	Salary
Camille Hart	Executive Assistant to Defendant Sandberg	Range \$115,003 to \$189,000
Chris Cox	Chief Product Officer	Range \$421,385 to \$893,846
Mike Schroepfer	Chief Technology Officer	Range \$753,846 to \$823,846
Elliot Schrage	VP of Communications and Public Policy	Range \$437,000 to \$460,000
David Ebersman	Chief Financial Officer	Range \$295,833 to \$511,863
Ted Ulyot	General Counsel	\$275,000
Libby Leffler	Chief of Staff to Defendant Sandberg	Range \$149,000 to \$270,000
Charlton Gholson	Director, Strategic Partnerships	Range \$229,000 to \$295,000
Kelly Hoffman	Executive Assistant	Range \$115,003 to \$189,000
Anikka Fragodt	Executive Assistant to Defendant Zuckerberg	Range \$115,003 to \$189,000
Eric Antonow	VP of Product Marketing	Range \$133,000 to \$473,000
David Fischer	Chief Revenue Officer and VP of Marketing	Range \$228,885 to \$284,423
Lori Goler	Head of HR, People	Range \$165,000 to \$259,000
Dan Rose	VP of Partnerships	Average salary \$439,000
Marne Levine	Chief Business Officer	\$729,808
Kirsten Nevill-Manning	Senior Director, People Operations	Range \$111,000 to \$164,000
Molly Graham	Director of Mobile	\$224,119
Maxine Williams	Chief Diversity Officer	Range \$267,953 to \$368,313
Brandee Barker	Director of Global Communications and Policy	Range \$209,000 to \$272,000
Sarah Feinberg	Director, Policy Communications	Range \$209,000 to \$272,000
Debbie Frost	VP of Global Communications and Public Affairs	Range \$437,000 to \$460,000

Name	Title	Salary
Ashley Zandy	Senior Director, Reality Labs Communications; Senior Director, Communications; Chief of Staff Global Business Group; Head of Marketing, Emerging Markets; Manager, Europe, Middle East & Africa Communications; and Corporate Communications	Range \$131,000 to \$200,000
Chamath Palihapitiya	VP of Platform and Monetization; VP of User Growth, Mobile and International	Range \$437,000 to \$460,000
Liz Bourgeois	Manager and Director of Communications	Range \$209,000 to \$272,000
Anne Kornblut	VP, Global Product Content Operations; Strategic Communications	Range \$131,000 to \$200,000
Lachlan Mackenzie	Executive Communications Manager	Range \$146,000 to \$205,000
Clarice Cho	Data Analyst	Range \$98,000 to \$154,000
Andrea Saul	VP, Public Affairs; Director of Policy Communications	Range \$209,000 to \$272,000
Tessa Lyons-Laing	VP of Product Management; Business Lead (Chief of Staff) to Defendant Sandberg	Range \$149,000 to \$270,000
Dan Levy	VP and Product Group Lead; VP of Small Business	Range \$437,000 to \$460,000
Katie Mitic	Director, Platform & Mobile at Facebook	Range \$219,000 to \$285,000
Susan Gonzales	Director of Community Engagement	Range \$243,000 to \$312,000
Don Graham	Board of Directors	N/A
Joel Kaplan	VP of Global Public Policy	Range \$437,000 to \$460,000
Rousseau Kazi	Leader of Product Management	Range \$197,000 to \$270,000
Schuyler Milender	Director, Demand Management and AI Applications; Business Lead (Chief of Staff) to Defendant Sandberg	Range \$149,000 to \$270,000
Grace Song	Client Solutions Manager	Range \$107,000 to \$171,000

154. These acknowledgements show that Meta employees collectively spent many hours assisting Sandberg in drafting her books. Sandberg credits these company employees, among others, with providing significant work on her book that, by the nature of the tasks, would have

1 taken many hours. Presumably, to receive an acknowledgment, each individual above spent at a  
 2 minimum several hours assisting Sandberg. For example, in the acknowledgements section of her  
 3 book “Option B: Facing Adversity, Building Resilience, and Finding Joy,” Sandberg thanked a  
 4 number of Meta employees for “read[ing] drafts” of the book and providing “feedback.” These  
 5 individuals are listed below, with their position at Meta and compensation estimated based on the  
 6 best available information, including job post data for the same or comparable positions.

7 Many friends and colleagues read drafts and gave honest feedback. We are grateful  
 8 for their time and their suggestions: . . . Susan Gonzales [Director of Community  
 9 Engagement, salary range: \$243,000 to \$312,000], Don Graham [Member, Board  
 10 of Directors], . . . Joel Kaplan [VP of Global Public Policy, salary range: \$437,000  
 11 to \$460,000], Rousseau Kazi [Leader of Product Management, salary range:  
 12 \$197,000 to \$270,000], . . . Schuyler Milender [Director, Demand Management and  
 13 AI Applications; Business Lead (Chief of Staff) to Defendant Sandberg, salary  
 14 range: \$149,000 to \$270,000].

15 Defendant Sandberg thanked each of the above Meta employees for reading plural “drafts.” Option  
 16 B is 240 pages, and approximately 60,000 words. The average adult reader reads about 250 words  
 17 per minute.<sup>10</sup> Therefore, each of these five employees likely spent on average at least four hours  
 18 reading each draft, spending at least 4 hours each, in addition to further time spend providing  
 19 feedback. Assuming the other 32 acknowledged individuals likewise contributed at least four  
 20 hours each to Sandberg’s book efforts, the acknowledgments section indicates that Meta  
 21 employees spent a minimum of 148 hours assisting Sandberg with her personal books.

22 155. These book acknowledgements are flat admissions by Sandberg that she received  
 23 Facebook employee assistance in writing and promoting her personal books.

24 156. *The Wall Street Journal* noted that Meta’s investigation of Sandberg covers her use  
 25 of Company employees in writing and promoting her book.

26 157. Prior to and throughout the Class Period, Sandberg also used corporate resources,  
 27 including Facebook employees, to support her personal foundation, according to people  
 28 knowledgeable about the matter, as reported by *The Wall Street Journal*. In 2013, Defendant  
 Sandberg founded LeanIn.Org (also known as Lean In Foundation), a 501(c)(3) nonprofit  
 organization named after her first book. In 2016, Sandberg renamed the foundation the Sheryl

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<sup>10</sup> See <https://www.readinglength.com/book/isbn-1524732680>.

1 Sandberg & Dave Goldberg Family foundation after her late husband. The foundation is  
2 unaffiliated with Meta and has previously been criticized by former employees for focusing on  
3 promoting Sandberg personally.

4 158. Likewise, Sandberg used corporate resources to help her plan her wedding to fiancé  
5 Tom Bernthal, CEO and Co-President of the consulting agency Kelton Global. Assistance in  
6 planning Sandberg's wedding was a personal benefit unrelated to her position at Meta.

7 159. In general, at all relevant times, it was not uncommon for Meta employees even to  
8 benefit Defendant Sandberg by providing help with tasks for her family, according to people  
9 knowledgeable about the matter, as reported by *The Wall Street Journal*.

10 160. Sandberg's use of Company resources to support her foundation, promote and write  
11 her second book, and plan her wedding prompted an internal investigation by Meta, initiated in  
12 the fall of 2021. The Company had previously initiated a separate investigation into her violation  
13 of the Code of Conduct by using corporate resources to pressure the *Daily Mail*, and the two  
14 investigations were merged. Meta did not publicly disclose either investigation.

15 161. Sandberg's use of Company resources for personal matters was not permitted by  
16 Facebook. Indeed, Sandberg violated the Code of Conduct by exploiting her position at Meta for  
17 both her own personal benefit and the benefit of her ex-boyfriend, Mr. Kotick.

18 162. While the Company made extensive disclosures about Defendant Sandberg's use  
19 of corporate resources for certain personal matters—namely, security and use of private aircraft—  
20 the Company failed to disclose Sandberg's improper use of corporate resources for the other  
21 personal matters described above.

22 163. In addition to the value of the assistance described above that Sandberg received  
23 on her books, Meta employees collectively spent multiple business days in each year from 2018  
24 to 2021 assisting Defendant Sandberg on personal matters unrelated to her employment at Meta.  
25 The monetary value of the personal benefits Sandberg received from the use of Facebook employee  
26 time during each of the years 2018, 2019, 2020 and 2021 was greater than \$10,000 in each of those  
27 years. The median worker at Meta earned more than \$240,000 per year in 2019, and comparable  
28 amounts in each year from 2018 to 2021. Most Meta employees received at least 28 days of paid

1 vacation in each year from 2018 to 2021 and worked approximately 227 days per year each of  
 2 those years. Accordingly, the median hourly pay for Meta employees was approximately \$132  
 3 during this period. The value of the assistance Sandberg acknowledged she received on her books  
 4 alone—calculated above to be a minimum of 148 hours of Meta employee time—is greater than  
 5 \$10,000 assuming the employees received on average the median Meta compensation.

6 164. Meta is continuing to conduct an internal investigation of Defendant Sandberg's  
 7 improper use of Company resources for personal benefit, according to people knowledgeable about  
 8 the matter, as reported by *The Wall Street Journal*. Meta is investigating her conduct stretching  
 9 back several years, and the investigation involves a broad review of Sandberg's use of Meta's  
 10 resources and specifically covers her use of Meta employees and resources for her wedding  
 11 planning, for work on her book, for work on her foundation, and for addressing the *MailOnline*'s  
 12 potential article about her boyfriend, as described above.

13 165. Notably, in its reporting on Sandberg described above, *The Wall Street Journal*  
 14 reported that individuals with knowledge of the matters stated that Sandberg actually used  
 15 Company resources for personal benefit, not merely that Meta was investigating Sandberg for  
 16 using Company resources for personal benefit. Specifically, on April 21, 2022, *The Wall Street*  
 17 *Journal* reported:

18 *Working with a team that included Facebook and Activision employees as well as*  
 19 *paid outside advisers, Ms. Sandberg and Mr. Kotick developed a strategy to*  
 20 *persuade the Daily Mail not to report on the restraining order, first when they began*  
 21 *dating in 2016 and again around the time they were breaking up in 2019 . . . .*

22 (Emphasis added.)

23 This reporting made clear that Ms. Sandberg used a team of Facebook employees to address  
 24 Mr. Kotick's personal problems, not merely that Meta was investigating whether such use  
 25 occurred.

26 166. Likewise, on June 10, 2022, *The Wall Street Journal* reported:

27 Facebook staff assisted Ms. Sandberg during both of her book tours and in the  
 28 acknowledgments of Option B, she thanked many employees for their assistance in  
 putting the book together. It was also not uncommon for Facebook staffers to help  
 Ms. Sandberg with work involving her foundation and sometimes assist with tasks  
 for her family, according to people close to the matter.



1 This reporting likewise made clear that Ms. Sandberg actually used Facebook staff to assist her  
 2 with drafting her personal book and during her book tours, and that she actually used Facebook  
 3 staffers to help with her foundation and family-member tasks, not merely that she was being  
 4 investigated for such conduct.

5 167. Indeed, Ms. Sandberg herself did not deny using Company resources to plan her  
 6 wedding, and tacitly suggested she in fact did—as reported in a June 10, 2022 article in *The Wall*  
 7 *Street Journal*, her spokeswoman stated only that, “Sheryl did not *inappropriately* use company  
 8 resources in connection with the planning of her wedding.” (Emphasis added.)

9 168. Accordingly, this Complaint likewise alleges not merely that Meta was  
 10 investigating Sandberg for using Company resources for personal benefit, but also that Sandberg  
 11 actually used Company resources for personal benefit.

12 **C. Defendant Sandberg Signed Multiple Proxy Statements that Failed to List**  
 13 **Her Personal Benefits among the Perquisites and Additional Benefits She**  
 14 **Received**

15 169. The SEC has disclosure requirements for executive and director compensation,  
 16 designed to facilitate shareholder understanding. Instruction 4 to Item 402 of Regulation S-K  
 17 requires, “If the total value of all perquisites and personal benefits is \$10,000 or more for any  
 18 named executive officer, then each perquisite or personal benefits, regardless of its amount, must  
 19 be identified by type. . . . Perquisites and other personal benefits shall be valued on the basis of  
 20 the aggregate incremental cost to the registrant.” 17 CFR § 229.402(c)(2)(ix).

21 170. On April 8, 2022, Meta filed a Proxy Statement on Schedule 14A (the “April 8,  
 22 2022 Proxy Statement”). The April 8, 2022 Proxy Statement disclosed compensation awarded to,  
 23 earned by, or paid to each of the named executive officers for services rendered for the years ended  
 24 December 31, 2021, 2020, and 2019. The April 8, 2022 Proxy Statement reported a salary in 2021  
 25 for Sandberg of \$954,615, a bonus of \$849,447, stock awards of \$22,169,902, and “All Other  
 26 Compensation” in the amount of \$11,274,937. The Company disclosed that:

27 The amounts reported include approximately \$8,981,973, \$7,646,560, and  
 28 \$4,370,631 in 2021, 2020, and 2019, respectively, for costs related to personal  
 security for Ms. Sandberg at her residences and during personal travel pursuant to  
 Ms. Sandberg’s overall security program; and approximately \$2,292,964,

1       \$872,413, and \$1,316,468 in 2021, 2020, and 2019, respectively, for costs related  
2       to personal usage of private aircraft.

3       171. Sandberg, a named executive officer, received significant perquisites and personal  
4       benefits well in excess of \$10,000 relating to her personal security and personal travel. Yet  
5       Sandberg also received valuable personal benefits, including the use of Meta employees, for  
6       personal matters related to writing and promoting her book, supporting her personal foundation,  
7       planning her wedding, and maintaining her personal reputation, none of which were identified or  
8       valued in the April 8, 2021 Proxy Statement.

9       172. Information about Sandberg's use of Company resources for personal benefit was  
10      highly material to investors. Investors cared deeply about improper conduct of any kind on the  
11      part of Defendants Zuckerberg and Sandberg that might taint the Company's reputation or image.  
12      Additionally, failure to adequately disclose Sandberg's use of corporate resources for personal  
13      matters may result in SEC violations that likewise could be harmful to the Company's reputation  
14      and image, and result in fines or other penalties.

15       **D. The Proxy Statements that Misrepresented Defendant Sandberg's**  
16       **Compensation Directly Authorized Her Election as Director**

17      173. The April 9, 2021 Proxy Statement and April 8, 2022 Proxy Statement directly  
18      authorized the election of Defendant Sandberg as a Director of Meta. Had Meta disclosed  
19      Sandberg's improper conduct, including her improper use of Company resources, and her causing  
20      Meta to issue false and misleading Proxy Statements regarding her compensation, Sandberg would  
21      not have been re-elected as a Director of Meta.

22       **E. Defendant Sandberg Knew About Her Personal Use of Company Resources**

23      174. Defendant Sandberg knew that she was receiving personal benefits from Meta other  
24      than those disclosed in the Company's annual proxy filings with the SEC because Defendant  
25      Sandberg knew about her own actions. As explained above, Defendant Sandberg personally  
26      directed employees and used Company resources to help her plan her wedding, write her personal  
27      book, assist with her personal foundation, and kill an unflattering news story about her ex-  
28      boyfriend.

175. Defendant Sandberg's knowledge may be imputed to Meta.

**F. *The Wall Street Journal* Revealed the Truth that Sandberg Had Failed to Disclose these Perquisites that Violated Company Policy**

176. On April 21, 2022, *The Wall Street Journal* published an article titled, "Meta's Sheryl Sandberg Pressured Daily Mail to Drop Bobby Kotick Reporting."<sup>11</sup> The article reported facts concerning two occasions in which Sandberg pressed the U.K. tabloid, the *Daily Mail*, to shelve a potential article about her then-boyfriend, Mr. Kotick, as described above.

177. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common stock fell \$12.35 per share, or 6.16%, to close at \$188.07 per share on April 21, 2022.

178. The truth about Sandberg's misuse of Company resources was not known to the public until *The Wall Street Journal* published its findings.

179. On May 28, 2022, Sheryl Sandberg informed Meta of her decision to resign from her position as Chief Operating Officer of the Company after a transition period.

180. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common stock fell \$6.49 per share, or 3.34%, to close at \$188.64 per share on June 1, 2022.

181. On June 10, 2022, *The Wall Street Journal* published an article titled, "Meta Scrutinizing Sheryl Sandberg's Use of Facebook Resources Over Several Years."<sup>12</sup> The article reported that Meta was investigating Defendant Sandberg's use of corporate resources for personal expenses, including the writing of her personal book, supporting her personal foundation, and planning her wedding going back several years.

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<sup>11</sup> Ben Fritz, Keach Hagey, Kirsten Grind and Emily Glazer, *Meta's Sheryl Sandberg Pressured Daily Mail to Drop Bobby Kotick Reporting*, Wall St. J. (Apr. 21, 2022), available at <https://www.wsj.com/articles/sandberg-facebook-kotick-activision-blizzard-daily-mail-11650549074>.

<sup>12</sup> Deepa Seetharaman and Emily Glazer, *Meta Scrutinizing Sheryl Sandberg's Use of Facebook Resources Over Several Years*, Wall St. J. (June 10, 2022), available at <https://www.wsj.com/articles/meta-scrutinizing-sheryl-sandbergs-use-of-facebook-resources-over-several-years-11654882829>.

182. This internal investigation began as early as the fall of 2021 and a number of employees had been interviewed as part of the investigation, yet Meta failed to disclose the investigation and the truth only became known to the public when *The Wall Street Journal* published its findings.

183. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common stock fell \$8.43 per share, or 4.58%, to close at \$175.57 per share on June 10, 2022.

## **VII. META MISLED INVESTORS TO BELIEVE THAT ITS TRANSITION TO REELS WAS NOT IMPACTING ITS RESULTS OF OPERATIONS**

### **A. Meta's Competition from TikTok**

184. TikTok is a mobile app owned by Chinese company ByteDance. TikTok was introduced, under a different name, in 2014.

185. TikTok hosts a variety of short-form user videos, from genres like pranks, stunts, tricks, jokes, dance, and entertainment with durations from 15 seconds to ten minutes. TikTok users film vertical videos and may upload their own audio and sounds to pair with the video. When watching content, TikTok keeps its users engaged by immediately playing a new video after the previous one has ended, creating a scroll of content. By showing users only one full-screen video at a time, TikTok can track users' specific interests, honing its recommendations.

186. TikTok's growth has been rapid. In September 2018, TikTok surpassed Facebook, Instagram, YouTube, and Snapchat in monthly installs in the App Store. In 2021, TikTok landed its billionth user four years after it launched globally and in just half the time it took Facebook to reach that milestone. TikTok is the only non-Facebook app to have reached 3 billion downloads in app stores. TikTok, like Instagram, is particularly liked by younger users.

187. TikTok's revenue has grown equally rapidly. TikTok's ad revenue is expected to triple this year to \$11.64 billion from \$3.88 billion in 2021, surpassing Twitter and Snapchat combined.

**B. Meta's Transition to Reels To Compete Against TikTok**

188. Meta's Family of Apps and the TikTok app compete against each other for user engagement time and advertising revenues.

189. Given the rise of TikTok, Meta recognized several years ago that it needed to develop a similar app with TikTok's highly engaging format to compete effectively against TikTok.

190. On August 5, 2020, Meta launched Reels on Instagram globally. As explained above, Reels is a function in the Instagram app very similar to TikTok that allows users to create, view and share short, 15- or 30-second videos or "Reels" on Instagram.

191. On June 16, 2021, Meta launched ads on Reels on Instagram, which are full screen, vertical ads that play interspersed between user-generated Reels.

192. Meta has invested significant resources in bringing the Reels platform up to speed in its competition with TikTok. On July 14, 2021, Defendant Zuckerberg announced plans to pay content creators more than \$1 billion by the end of the following year through new bonus programs. This decision was a direct response to TikTok's own actions. Previously, in July 2020, TikTok announced a \$200 million fund, called the TikTok Creator Fund, to help creators on the platform supplement their earnings and produce more content.

**C. Meta Acknowledged That Its Introduction of Reels Would Shift Engagement from Stories to Reels, but Stated That Reels Increased Overall Engagement, and Implied That This Shift Was Not Currently Impacting Its Results of Operations**

193. Monetization of short-form video such as Reels through advertising is more difficult than through Meta's traditional revenue sources, such as Instagram's Home tab. In the Home feed, many ads may be interspersed between user-generated content that is viewed when the user scrolls down the feed, and a user may view the ads effectively in the process of scrolling through that content without significantly interrupting the user experience. Short-form video advertisements are longer and fit more awkwardly in a scroll of user-generated content. Accordingly, fewer ad impressions are available to be sold on a short-form video format.

1           194. On the other hand, Reels and other short-form video formats are more engaging  
2 than Instagram photographs—on average, users spend more time viewing short-form video  
3 content, particularly in the format of Reels or TikTok, than they do viewing text or photos on  
4 Instagram. Indeed, Reels is so engaging that many users have shifted their engagement from older  
5 formats in Meta’s Family of Apps, such as Instagram photos and Facebook News Feed, to Reels.  
6 In this way, Reels is partly “cannibalizing” user engagement in older content formats in Meta’s  
7 Family of Apps. However, Meta believes that engagement with short-form video on Reels  
8 increases overall user engagement with Meta’s content.

9           195. Accordingly, Meta’s introduction and promotion of Reels involves an important  
10 tradeoff that the Company must balance—by promoting Reels, the Company is increasing overall  
11 user engagement (i.e., increasing the total amount of time users spend on Meta’s Family of Apps),  
12 but the Company is also shifting some user engagement from platforms that are easier to monetize  
13 to a platform that is harder to monetize. Crucially, whether Meta’s shift from older content formats  
14 in Meta’s Family of Apps to Reels caused a positive or negative impact on net for Meta’s results  
15 of operations could never be inferred from the nature of the transition alone. Whether Meta’s  
16 transition to Reels would have a net positive or negative impact on the Company’s business could  
17 not be determined simply by knowing that Reels was harder to monetize, because Reels is also  
18 more engaging—even if users view fewer ads per hour on Reels than on older content formats,  
19 users may spend more total hours viewing ads on Reels, such that the total number of ads viewed  
20 by users may be greater on net with the introduction of Reels.

21           196. During the Class Period, Meta acknowledged that Meta’s shift in focus from older  
22 content formats in Meta’s Family of Apps to Reels would shift some user engagement from  
23 formats that were easier to monetize to a new format that was harder to monetize, but Meta directly  
24 and repeatedly implied that this shift was not adversely affecting Meta’s business and results of  
25 operations.

26           197. On Meta’s April 28, 2021 Investor Call to discuss results from the first quarter of  
27 2021, Justin Post of Bank of America asked, “Could you comment on what you’re seeing with  
28

1 overall engagement? And as people use these new platforms, is it growing, time spent and other  
2 factors?”

3 198. Defendant Wehner responded:

4 [W]e’re seeing really strong engagement on video, particularly internationally.  
5 And that’s—we’re pleased with that. [. . .] *Reels is starting to get traction on –*  
6 *and doing well on Instagram.* Now video currently has relatively fewer impressions  
7 on a time spent basis. So that’s playing into the engagement trends as well. And  
8 then finally, I would say, we are seeing competition in News Feed from both our  
9 own video products and also other products as well. So that’s factoring into it.

10 (Emphasis added.)

11 199. Similarly, on Meta’s July 28, 2021 Investor Call to discuss results from the second  
12 quarter of 2021, Defendant Zuckerberg stated:

13 Video in particular is becoming the primary way that people use our products and  
14 express themselves. I know this is a theme we’ve been talking about for a few years  
15 now, but we’ve been executing on this for a while and video has steadily become  
16 more important in our products. Video now accounts for almost half of all time  
17 spent on Facebook. *Reels is already the largest contributor to engagement growth*  
18 *on Instagram.* [. . .] [A]s it becomes the majority of engagement across our  
19 services in the coming years, we’re going to continue to focus on this.

20 (Emphasis added.)

21 200. However, on the same call, Defendant Sandberg went a step further, and told only  
22 a half-truth in stating that Meta was “seeing very strong growth in video monetization across . . .  
23 Reels,” because in fact, Reels was negatively impacting the Company’s financial results overall:

24 I can talk about video ads. *So we’re seeing very strong growth in video*  
25 *monetization across Watch, Feed, Reels.* And we think we’re continually getting  
26 better at monetizing video, but they are still monetizing at lower rates versus Feed  
27 Stories, but we have a lot here. We have 2 billion people watching in-stream ad  
28 eligible videos per month.

(Emphasis added.)

201. Defendant Wehner compounded Sandberg’s misleading statement and likewise  
created the impression that Reels was “going well” and having an overall positive impact on the  
Company. Then on Meta’s July 28, 2021 Investor Follow-Up Call, Ron Josey with JMP Securities  
asked:

Dave, I wanted to follow up on just Reels, either details on usage or monetization  
approach. [. . .] Mark’s comments saying it’s the largest contributor of engagement  
on—engagement growth on Instagram is pretty impressive. So any insights on  
Reels, monetization, or usage would be super helpful as we think about, you know,  
newer products launching and monetization.



1           202. Defendant Wehner replied:

2           Yeah, I mean, *Reels is going well*. [. . .] And then on the ads front, you know, *ads*  
3           *are now available to all advertisers* and in almost all markets where Reels is live.  
4           It's still very early on the advertising front, but *we think this should be a good ad*  
5           *format*.

6           (Emphasis added.)

7           203. These comments misleadingly suggested that the transition to Reels was having a  
8           positive impact on the Company's results of operations. At no point did the Company tell the  
9           whole truth that the transition to Reels, with an increase in engagement but lower monetization  
10          rate, was on net having a negative impact on the Company's business.

11          204. Indeed, in the Company's quarterly report on SEC Form 10-Q for the second  
12          quarter of 2021, filed July 28, 2021, the Company ***directly implied*** Reels was not having an adverse  
13          effect on its business and results of operations. The Company stated, in its discussion of risks:

14               We also may introduce new features or other changes to existing products, or  
15               introduce new stand-alone products, that attract users away from properties,  
16               formats, or use cases where we have more proven means of monetization, such as  
17               News Feed. In addition, as we focus on growing users and engagement across our  
18               family of products, from time to time these efforts have reduced, and may in the  
19               future reduce, engagement with one or more products and services in favor of other  
20               products or services that we monetize less successfully or that we are not growing  
21               as quickly. *These decisions may adversely affect our business and results of*  
22               *operations* and may not produce the long-term benefits that we expect.

23          (Emphasis added.)

24          205. In this statement, Meta informed investors that any adverse impact on its business  
25          and results of operations from its introduction of, and transition to, Reels was merely possible,  
26          such that no such adverse impact had yet occurred. Defendants made this statement on July 28,  
27          2021, about ***six weeks*** after the introduction of ads on Reels on June 16, 2021, so at this point, the  
28          statement indicated that the transition to Reels was not causing an overall adverse impact on Meta's  
29          business and results of operations.

30          206. On Meta's October 25, 2021 Investor Call to discuss results from the third quarter  
31          of 2021, Defendant Zuckerberg again noted, "Reels is already the primary driver of engagement  
32          growth on Instagram." Then on the same call, an analyst from Cowen asked, "Given the rise of  
33          Reels, is it cannibalizing engagement on the other Instagram services?" In response, Defendant

1 Wehner stated:

2 Whenever we launch new experiences, this was true with Stories, it was true with  
3 Facebook Watch. It's—you're always going to see some amount of shifting of  
people's time and attention to the new areas.

4 And we do think that, that benefits the experience overall, and we think that makes  
5 the overall experience more engaging over time. And we do think that it's—we're  
6 *able to with Reels drive incremental engagement with Instagram and Facebook. So*  
7 *that's why we're investing to do that.*

8 (Emphasis added.)

9 207. Here again, the Company created the misleading impression that the transition to  
10 Reels was having a net positive impact on the Company's results of operations. The Company  
11 explained that "we're able to with Reels drive incremental engagement with Instagram and  
12 Facebook," and explained that "that's why we're investing to do that," suggesting that the increase  
13 in total engagement that came with the transition to Reels outweighed the lower monetization rate  
14 of that engagement.

15 208. Indeed, once again, the Company's quarterly report on SEC Form 10-Q for the third  
16 quarter of 2021, filed October 26, 2021, about *four and a half months* after the introduction of  
17 ads on Instagram Reels on June 16, 2021, *directly implied* that the transition to Reels was not  
18 adversely affecting the Company's business and results of operations:

19 We also may introduce new features or other changes to existing products, or  
20 introduce new stand-alone products, that attract users away from properties,  
21 formats, or use cases where we have more proven means of monetization, such as  
22 News Feed. In addition, as we focus on growing users and engagement across our  
23 family of products, from time to time these efforts have reduced, and may in the  
24 future reduce, engagement with one or more products and services in favor of other  
25 products or services that we monetize less successfully or that we are not growing  
26 as quickly. *These decisions may adversely affect our business and results of*  
27 *operations* and may not produce the long-term benefits that we expect.

28 (Emphasis added.)

29 209. Here again, the Company stated only that its decision to transition to Reels "may  
30 adversely affect our business and results of operations," and so informed investors that any adverse  
31 impact on its business and results of operations from its transition to Reels was merely possible  
32 and had not yet occurred.

210. Notably, reasonable investors would have understood these statements in Meta’s risk disclosures in its Forms 10-Q for Q2 and Q3 2021 to refer specifically to Reels. The only “new feature [added] to existing products” that Meta described in 2021 as cannibalizing user engagement from other platforms was Reels. While using different phrasing, Meta specifically mentioned in conference calls with investors that the introduction of Reels would “reduce engagement with one or more products and services in favor of other products or services that we monetize less successfully”—Meta made clear that the introduction of Reels was cannibalizing engagement in News Feed. For example, on Meta’s April 28, 2021 Investor Call, Defendant Wehner stated:

Reels is starting to get traction on -- and doing well on Instagram. [. . .] [W]e are seeing competition in News Feed from . . . our own video products . . .

Likewise, as noted above, on Meta’s October 25, 2021 Investor Call, Defendant Wehner fielded a question specifically addressing such cannibalization from Reels: “Given the rise of Reels, is it cannibalizing engagement on the other Instagram services?” Defendant Wehner responded, specifically concerning Reels:

Whenever we launch new experiences . . . you’re always going to see some amount of shifting of people’s time and attention to the new areas.

211. Accordingly, Reels was the only new product introduced during the Class Period to which Meta’s statements applied or that Meta described in this way—Meta did not make any similar statements in its calls during the Class Period to investors about any other new product introductions during that period.

212. Indeed, Meta later *admitted* that this paragraph applied specifically to Reels in its February 3, 2022 Form 10-K, in which Meta modified this same paragraph to include an *express reference to Reels*. That paragraph read:

We also may introduce new features or other changes to existing products, or introduce new stand-alone products, that attract users away from properties, formats, or use cases where we have more proven means of monetization, such as our feed products. In addition, as we focus on growing users and engagement across our family of products, from time to time these efforts have reduced, and may in the future reduce, engagement with one or more products and services in favor of other products or services that we monetize less successfully or that are not growing as quickly. *For example, we plan to continue to promote Reels, which we do not currently monetize at the same rate as our feed or Stories products.* These decisions may adversely affect our business and results of operations and may not

1 produce the long-term benefits that we expect.

2 (Emphasis added.)

3 213. Meta's weak financial results and outlook announced on or around October 25,  
4 2021 were a partial materialization of the concealed risks that the Company's business was being  
5 adversely affected by its transition of user engagement from News Feed and Stories to Reels. As  
6 a direct and proximate result of this partial corrective disclosure and/or materialization of  
7 foreseeable risks concealed by Defendants' fraud, the price of Meta common stock fell \$12.88 per  
8 share, or 3.92%, to close at \$315.81 per share on October 26, 2021.

9 **D. Defendants Knew that the Transition to Reels Was Negatively Impacting**  
10 **Meta's Business Because Defendants Repeatedly Discussed the Impact of the**  
11 **Transition to Reels on User Engagement and Incorporated the Impact of the**  
12 **Transition into the Company's Guidance**

13 214. Defendants made statements demonstrating their knowledge of the impact of the  
14 Company's transition to Reels on user engagement. On the February 2, 2022 Investor Call,  
15 Defendant Wehner reassured investors that "As the engagement of the new thing starts to replace  
16 some of the engagement in the old thing, it creates a near-term headwind for revenue, but it's not—  
17 that part, at this point, now is not that big of a concern for us." On the same call, Defendant  
18 Zuckerberg acknowledged, "[W]e think it's definitely the right thing to lean into this and to push  
19 us hard to grow Reels as quickly as possible and not hold on the brakes at all, even though it may  
20 create some near-term slower growth than we would have wanted."

21 215. Defendants' repeated assurances to investors that the focus on Reels did not  
22 negatively impact the Company's business and results of operations demonstrate that they either  
23 knew that Meta's focus on Reels was cannibalizing its revenue from Stories or were reckless in  
24 not knowing. In either scenario, there is a strong inference that Defendants made these statements  
25 with scienter.

**E. Meta Disclosed the Truth that the Shift to Reels Is Negatively Impacting Its Results of Operations, and Investors Expressed Surprise**

216. On February 3, 2022, Meta filed an Annual Report on Form 10-K with the SEC, reporting the Company's financial and operating results for the quarter and year ended December 31, 2021. In the February 3, 2022 10-K, the Company admitted for the first time in an SEC filing that its transition to Reels was negatively impacting its advertising revenue. The Company stated:

User growth and engagement were also impacted by a number of other factors in the second half of 2021. For example, competitive products and services have reduced some users' engagement with our products and services, and in response to competitive pressures, *we have introduced new features such as Reels, which is growing in usage but is not currently monetized at the same rate as our feed or Stories products.* We also saw a deceleration in our community growth rates as the size of our community continued to increase. In addition, we experienced year-over-year declines in ad impressions delivered in the United States & Canada region. ***These trends adversely affected advertising revenue growth in the second half of 2021*** and we expect will continue to affect our advertising revenue growth in the foreseeable future.

(Emphasis added.)

217. The day before, on February 2, 2022, Meta held the February 2, 2022 Investor Call to discuss its results from the fourth quarter of 2021. On that call, Meta likewise revealed, for the first time, in multiple statements, that its transition to Reels was, on net, having a negative impact on the Company's business and results of operations. The full context of these statements appears in the complete transcript of the February 2, 2022 Investor Call, incorporated in this Complaint by reference.

218. Defendant Zuckerberg stated:

[W]e're in the middle of a transition on our own services towards short-form video like Reels. So as more activity shifts towards this medium, we're replacing some time in News Feed and other higher monetizing surfaces. *So as a result of both competition and this shift to short-form video as well as our focus on serving young adults over optimizing overall engagement, we're going to continue to see some pressure on impression growth in the near term.*

(Emphasis added.)

219. Later, Defendant Zuckerberg added:

And what these transitions have all had in common from desktop feed to mobile feed, feed to Stories and not to Reels, is in the beginning our ads system and business are not as tuned for the new format, *so as the engagement of the new things starts to replace some of the engagement of the old thing, it creates a near-term headwind for revenue.*

1       [. . .]

2       [W]e think it's definitely the right thing to lean into this and to push us hard to *grow*  
3       *Reels* as quickly as possible and not hold on the brakes at all, even though it *may*  
4       *create some near-term slower growth* than we would have wanted.

5       (Emphasis added.)

6       220. On the same call Defendant Wehner stated:

7       So we're confident in our ability to monetize [Reels] over time, but *right now,*  
8       *there's* relatively few ads in Stories—sorry, *relatively few ads in Reels today. So*  
9       *it's definitely something from an impression growth and monetization perspective*  
10       *is going to be a headwind.*

11       (Emphasis added.)

12       221. In these statements, investors learned for the first time that the introduction of Reels  
13       was having an adverse impact on Meta's business and results of operations—it was on net  
14       negatively impacting “impression growth” and “revenue.” That is, investors learned that any  
15       increase in impressions as a result of an increase in the total hours spent viewing ads gained by  
16       introducing Reels did not offset the decrease in impressions resulting from the viewers spending  
17       more time on a format that offered fewer ads per hour than Meta's older content formats, so the  
18       introduction of Reels was negatively impacting total impressions viewed, and with that, total  
19       revenue.

20       222. These revelations caused Meta's share price to drop precipitously. As a direct and  
21       proximate result of this news and other similar stories, risks or truth concealed by, or effects  
22       associated with Meta's fraud were revealed, or materialized, and as a result, the price of Meta  
23       common stock Meta's stock collapsed \$102.82 per share between February 3 and February 8,  
24       2022, wiping out over 31% of Meta's market capitalization and devastating Plaintiffs and the  
25       proposed Class, to close at \$220.18 per share on February 8, 2022. Specifically, Meta's share  
26       price fell \$85.24, or 26.39% on February 3, 2022, \$0.67, or 0.28% on February 4, 2022, \$12.18,  
27       or 5.14% on February 7, 2022, and \$4.73, or 2.1% on February 8, 2022.

28       223. Analysts noted that their forecasts for Meta were completely off in part due to the  
Company's statements about the impact of its transition to Reels. For example, a MKM Partners'  
analyst reported that Meta's “1Q guidance (*surprisingly and*) *clearly below our/Street*



1 *expectations*” citing to “Y/Y comps, iOS related headwinds, and *engagement mix-shift towards*  
 2 *under-monetized surface areas [Reels] as key reasons for weak guidance.*” (Emphasis added.)  
 3 Similarly, analysts at Bank of America stated, “[g]uidance was a *surprise, with bigger than*  
 4 *expected impact from Reels transition* and iOS headwinds.” (Emphasis added.)

## 5 **VIII. DEFENDANTS’ FALSE AND MISLEADING STATEMENTS**

6 224. Plaintiffs allege that the statements within this section were knowingly and  
 7 materially false and misleading and/or omitted to disclose material information of which  
 8 Defendants were aware or were reckless in not knowing. These statements artificially inflated or  
 9 maintained the price of Meta’s publicly traded common stock and operated as a fraud or deceit on  
 10 all persons and entities that purchased common stock during the Class Period.

### 11 **A. Defendants’ False and Misleading Statements in 2021**

#### 12 **1. April 9, 2021**

13 225. On or about April 9, 2021, Meta filed a Proxy Statement on Schedule 14A with the  
 14 SEC (the “April 9, 2021 Proxy Statement”) in which the Company included, in a section titled,  
 15 “Perquisites and Other Benefits,” a table presenting the total compensation awarded to, earned by,  
 16 or paid to each of the named executive officers for services rendered. In addition to “Salary,”  
 17 “Bonus” and “Stock Awards,” the table listed “All Other Compensation” to Defendant Sandberg  
 18 as “\$7,646,560, \$4,370,631, and \$2,914,831 in 2020, 2019, and 2018, respectively, for costs  
 19 related to personal security for Ms. Sandberg at her residences and during personal travel pursuant  
 20 to Ms. Sandberg’s overall security program; and approximately \$872,413, \$1,316,468, and  
 21 \$908,677 in 2020, 2019, and 2018, respectively, for costs related to personal usage of private  
 22 aircraft.”

23 226. The statements in ¶ 225 were materially false and misleading because Defendant  
 24 Sandberg received significant “Other Benefits” beyond personal security and private aircraft usage  
 25 throughout the Class Period in the form of personal assistance on personal matters. The statements  
 26 in ¶ 225 were also materially misleading because they omitted to state that Defendant Sandberg  
 27 received significant “Other Benefits” beyond personal security and private aircraft usage  
 28 throughout the Class Period in the form of personal assistance on personal matters.



1                                   **2.        July 28-29, 2021**

2            227.    On Meta’s July 28, 2021 Investor Call to discuss its financial results for 2Q 2021,  
3 in response to a question, “just curious if your view on ATT has changed over the past three months  
4 at all,” Defendant Wehner stated:

5                    In terms of your question on ATT, so the impact from the ATT changes has really  
6                    generally been in line with our expectation.

7            Likewise, on the July 28, 2021 Investor Call, an investor asked, “On the iOS changes, any color  
8 on the op-in rates for Facebook and Instagram? Are they kind of in line, better or worse than  
9 your expectations at this point?” In response, Defendant Wehner stated:

10                   On the iOS changes, really very much in line with expectations on things like opt-  
11                   in rates. So I would say, overall, the impact has been in line with our expectations.  
12                   So, not a huge surprise there.

13            228.    The statements in ¶ 227 were materially false and misleading because Defendant  
14 Wehner had previously stated, on the prior 1Q 2021 investor conference call, that Defendants  
15 expected that “the impact on our own business [from the iOS privacy changes] will be  
16 manageable,” yet in fact, by 2Q 2021, Apple’s iOS privacy changes were having a severely adverse  
17 impact on Meta’s targeting and measurement capabilities and its advertising revenues and growth,  
18 so the impact of Apple’s iOS privacy changes were not “in line” with Wehner’s expectation that  
19 the changes were “manageable”—they were worse.

20            229.    Also on the July 28, 2021 Investor Call, Defendant Sandberg stated:

21                   I can talk about video ads. So *we’re seeing very strong growth in video*  
22                   *monetization across Watch, Feed, Reels.* And we think we’re continually getting  
23                   better at monetizing video, but they are still monetizing at lower rates versus Feed  
24                   Stories, but we have a lot here. We have 2 billion people watching in-stream ad  
25                   eligible videos per month.

26            (Emphasis added.)

27            230.    The statements in ¶ 229 were materially false and misleading because the statement  
28            that Meta was “seeing very strong growth in video monetization across . . . Reels” was only a half-  
truth—in fact, the Company’s transition to Reels was negatively impacting the Company’s  
financial results overall.

29            231.    On the July 28, 2021 Investor Follow-Up Call, Defendant Li stated:

30                   In general, the -- I think the impact of ATT has been really quite close on almost

1 all of the dimensions that we look at when we think about kind of the iOS adoption  
 2 curve, the opt-in rate, the impact post opt-out to ARPU. Those have all been quite  
 3 similar to the early projections that we had that we kind of had factored into our Q1  
 4 and Q2 guidance. So I think -- so that's really been pretty consistent. And I think  
 5 in the landscape we're at now, effectively we're looking at the sort of primary  
 6 buckets of mitigations. There's -- obviously, there's conversion to API which  
 allows advertisers to share data for the opted in users over server side channels.  
 And then we also have the Aggregated Events Measurement tool that's allowing us  
 to receive aggregated campaign-level data for opted out users. And so I think the  
 impact kind of to -- to our revenue ecosystem has been pretty in line with how we  
 expected those would perform.

7 Defendant Wehner amplified Defendant Li's statement as follows:

8 And I think there's always the opportunity, I mean, given the -- Apple is obviously  
 9 -- and Google with Android, they have a lot of power as platform providers. And  
 10 so I think there's always an opportunity or risk, and we call that out clearly in our  
 risk factors, of them changing things. So we have to continually monitor this and  
 see if there's any changes coming and then, you know, update everyone  
 accordingly. But at least so far, like Susan said, it's been largely in-line.

11  
 12 232. The statements in ¶ 231 were materially false and misleading because: (1)  
 13 Defendant Wehner had previously stated, on the prior 1Q 2021 investor conference call, that  
 14 Defendants expected that "the impact on our own business [from the iOS privacy changes] will be  
 15 manageable," yet in fact, by 2Q 2021, Apple's iOS privacy changes were having a severely adverse  
 16 impact on Meta's targeting and measurement capabilities and its advertising revenues and growth,  
 17 so the impact of Apple's iOS privacy changes were not "in line" with Meta's expectation that the  
 18 changes were "manageable"—they were worse; (2) the statements failed to tell the whole truth  
 19 that Meta's "buckets of mitigations" were not preventing the iOS privacy changes from having a  
 20 severely adverse impact on Meta's targeting and measurement capabilities and its advertising  
 21 revenues and growth.

22 233. Also on the July 28, 2021 Investor Follow-Up Call, Ron Josey with JMP Securities  
 23 asked:

24 Dave, I wanted to follow up on just Reels, either details on usage or monetization  
 25 approach. [. . .] Mark's comments saying it's the largest contributor of engagement  
 26 on—engagement growth on Instagram is pretty impressive. So any insights on  
 Reels, monetization, or usage would be super helpful as we think about, you know,  
 newer products launching and monetization.

27 Defendant Wehner replied:

28 Yeah, I mean, *Reels is going well*. It's still obviously early in its launch, but we've  
 now rolled it out to 80 markets since launching it about a year ago.

1           [. . .]

2           And then on the ads front, you know, *ads are now available to all advertisers* and  
3           in almost all markets where Reels is live. It's still very early on the advertising  
4           front, but *we think this should be a good ad format*.

5           (Emphasis added.)

6           234. The statements in ¶ 233 by Defendant Wehner were materially false and misleading  
7           because the statements “Reels is going well” and “we think this should be a good ad format”  
8           misleadingly suggested that the transition to Reels was having a positive impact on the Company's  
9           financial results. The statements in ¶ 233 by Defendant Wehner were also materially false and  
10          misleading because they omitted to state that the transition to Reels was having a net negative  
11          impact on the Company's financial results.

12          235. On July 29, 2021, Meta filed a Quarterly Report on Form 10-Q with the SEC,  
13          reporting the Company's financial and operating resulting for the quarter ended June 30, 2021.  
14          The 2Q21 10-Q stated:

15           [M]obile operating system and browser providers, such as Apple and Google, have  
16           announced product changes as well as future plans to limit the ability of websites  
17           and application developers to collect and use these signals to target and measure  
18           advertising. For example, in April 2021, Apple made certain changes to its  
19           products and data use policies in connection with changes to its iOS 14 operating  
20           system that reduce our and other iOS developers' ability to target and measure  
21           advertising, which may in turn reduce the budgets marketers are willing to commit  
22           to us and other advertising platforms.

23          [. . .]

24           These developments have limited our ability to target and measure the effectiveness  
25           of ads on our platform and negatively impacted our advertising revenue, and *if we*  
26           *are unable to mitigate these developments as they take further effect in the future,*  
27           *our targeting and measurement capabilities will be materially and adversely*  
28           *affected*, which would in turn significantly impact our future advertising revenue  
            growth.

            (Emphasis added.)

            236. The statement in ¶ 235 was materially false and misleading because it directly  
implied that Meta's “targeting and measurement capabilities” had not yet been “materially and  
adversely affected” by Apple's iOS privacy changes, and that those changes had not yet  
“significantly impact[ed]” Meta's “advertising revenue growth.” In fact, by the time this statement  
was made, Meta's “targeting and measurement capabilities” already had been “materially and

adversely affected” by Apple’s iOS privacy changes. By Q2 2021, Meta’s signal match rate, a measure of its targeting and measurement capabilities, had been decreased by 40%. Likewise, Apple’s iOS privacy changes already had “significantly impact[ed]” Meta’s “advertising revenue growth”—the changes decreased Meta’s advertising revenue in Q2 2021 by approximately 4%, and decreased Meta’s advertising revenue in Q3 and Q4 by greater than 5%. The changes had decreased Meta’s net income by approximately 6.7% in Q2 2021 and by more than 9% in Q3 and Q4 2021. These statements were all the more misleading given Meta’s prior and contemporaneous statements that the iOS impact was “manageable,” that the resulting impact was “in line with expectations,” and that the Company was actively taking successful steps to mitigate the impact of the iOS changes.

237. In the 2Q21 10-Q, Meta also stated:

We also may introduce new features or other changes to existing products, or introduce new stand-alone products, that attract users away from properties, formats, or use cases where we have more proven means of monetization, such as News Feed. In addition, as we focus on growing users and engagement across our family of products, from time to time *these efforts have reduced, and may in the future reduce, engagement with one or more products and services in favor of other products or services that we monetize less successfully* or that we are not growing as quickly. *These decisions may adversely affect our business and results of operations* and may not produce the long-term benefits that we expect.

(Emphasis added.)

238. The statements in ¶ 237 were materially false and misleading—by the time of the statement, Meta’s decision to introduce its product Reels, which increased overall user engagement across Meta’s Family of Apps but could not be monetized as easily as other products or services, already had, on net, “adversely affect[ed] [Meta’s] business and results of operations,” so Meta’s statement that such an effect was merely possible was misleading.

### 3. October 25-26, 2021

239. On the October 25, 2021 Investor Call, Defendant Sandberg stated:

There are two big challenges coming from this iOS changes. The one is targeting and one is measurement. I’m taking the second one first. On measurement, we think we can address more than half of that underreporting by the end of the year . . . .

240. The statements in ¶ 239 were materially false and misleading because (1) the statement created the impression that Meta was solving a significant part—one of the two “big challenges” coming from the iOS changes by addressing “more than half” of that underreporting, when in fact, Meta’s underreporting of web conversions was only a “very small slice of the overall . . . revenue landscape,” so its addressing those web conversions did not materially mitigate the impact of the iOS changes; and (2) the statements omitted that the Company’s mitigation efforts would not prevent the iOS changes from having a material impact on the Company’s revenue and net income.

241. On the October 25, 2021 Investor Follow-Up Call, Defendant Li stated:

We had a range of expected impact from the [ATT] changes and ultimately what we’ve seen is in that range but it’s really on the higher end of what we had expected, and I think the underreporting of web conversions has really been a bigger issue than we expected, but it’s something that we’re very focused on helping to through better modeling techniques.

242. The statements in ¶ 241 were materially false and misleading because (1) Defendant Wehner had previously stated, on the prior 1Q 2021 investor conference call, that Defendants expected that “the impact on our own business [from the iOS privacy changes] will be manageable,” yet in fact, by 3Q 2021, Apple’s iOS privacy changes were having a material, adverse impact on Meta’s targeting and measurement capabilities and its advertising revenues and growth, so the impact of Apple’s iOS privacy changes were not consistent with, or “in the range” of Meta’s expectation that the changes were “manageable”—they were worse; (2) the statements gave the misleading impression that the iOS impact largely concerned Meta’s underreporting of web conversions and that Meta could effectively address that underreporting, and so gave the misleading impression that Meta could effectively mitigate the impact of the iOS changes to make them immaterial.

243. On October 26, 2021, Meta filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company’s financial and operating resulting for the quarter ended September 30, 2021. In the 3Q21 10-Q, Meta stated:

[O]ur advertising revenue in the third quarter of 2021 was negatively impacted by marketer reaction to targeting and measurement challenges associated with iOS changes. *If we are unable to mitigate these developments as they take further effect in the future, our targeting and measurement capabilities will be materially and*

1       *adversely affected, which would in turn significantly impact our future advertising*  
 2       *revenue growth.*

3       (Emphasis added.)

4       244. The statement in ¶ 243 were materially false and misleading because it directly  
 5 implied that Meta’s “targeting and measurement capabilities” had not yet been “materially and  
 6 adversely affected” by Apple’s iOS privacy changes, and that those changes had not yet  
 7 “significantly impact[ed]” Meta’s “advertising revenue growth.” In fact, by the time this statement  
 8 was made, Meta’s “targeting and measurement capabilities” already had been “materially and  
 9 adversely affected” by Apple’s iOS privacy changes. By Q3 2021, Meta’s signal match rate, a  
 10 measure of its targeting and measurement capabilities, had been decreased by 40%. Likewise,  
 11 Apple’s iOS privacy changes already had “significantly impact[ed]” Meta’s “advertising revenue  
 12 growth”—the changes decreased Meta’s advertising revenue in Q3 by greater than 5%. These  
 13 statements were all the more misleading given Meta’s prior and contemporaneous statements that  
 14 the iOS impact was “manageable,” that the resulting impact was “in line with expectations,” and  
 15 that the Company was actively taking successful steps to mitigate the impact of the iOS changes.

16       245. In the 3Q21 10-Q, Meta also stated:

17       We also may introduce new features or other changes to existing products, or  
 18 introduce new stand-alone products, that attract users away from properties,  
 19 formats, or use cases where we have more proven means of monetization, such as  
 20 News Feed. In addition, as we focus on growing users and engagement across our  
 21 family of products, from time to time *these efforts have reduced, and may in the*  
 22 *future reduce, engagement with one or more products and services in favor of other*  
 23 *products or services that we monetize less successfully* or that we are not growing  
 24 as quickly. *These decisions may adversely affect our business and results of*  
 25 *operations* and may not produce the long-term benefits that we expect.

26       (Emphasis added.)

27       246. The statements in ¶ 245 were materially false and misleading—by the time of the  
 28 statement, Meta’s decision to introduce its product Reels, which increased overall user engagement  
 across Meta’s Family of Apps but could not be monetized as easily as other products or services,  
 already had, on net, “adversely affect[ed] [Meta’s] business and results of operations,” so Meta’s  
 statement that such an effect was merely possible was misleading.



**B. Defendants' False and Misleading Statements in 2022**

**1. April 8, 2022**

247. On or about April 8, 2022, Meta filed a Proxy Statement on Schedule 14A with the SEC in which the Company included, in a section titled, "Perquisites and Other Benefits," a table presenting the total compensation awarded to, earned by, or paid to each of the named executive officers for services rendered. In addition to "Salary," "Bonus" and "Stock Awards," the table listed "All Other Compensation" to Defendant Sandberg as \$8,981,973, \$7,646,560, and \$4,370,631 in 2021, 2020, and 2019, respectively, for costs related to personal security for Ms. Sandberg at her residences and during personal travel pursuant to Ms. Sandberg's overall security program; and approximately \$2,292,964, \$872,413, and \$1,316,468 in 2021, 2020, and 2019, respectively, for costs related to personal usage of private aircraft.

248. The statements in ¶ 247 were materially false and misleading because Defendant Sandberg received significant "Other Benefits" beyond personal security and private aircraft usage throughout the Class Period in the form of personal assistance on personal matters. The statements in ¶ 247 were also materially misleading because they omitted to state that Defendant Sandberg received significant "Other Benefits" beyond personal security and private aircraft usage throughout the Class Period in the form of personal assistance on personal matters.

**IX. DUTY TO DISCLOSE ADVERSE FACTS**

249. In addition to Meta's general duty to disclose all material facts necessary in order to make its statements made, in light of the circumstances under which they were made, not misleading, Meta had additional duties to disclose the adverse facts pleaded in this Complaint.

**A. Share Repurchase Program**

250. In January 2017, Meta's board of directors commenced a share repurchase program of Meta's Class A common stock that does not have an expiration date. Meta's board of directors authorized an additional \$25 billion in share repurchases in January 2021 and authorized an additional \$50 billion in share repurchases in October 2021. As a result of this share repurchase program and Meta's active decisions to increase the amounts authorized to be purchased, under SEC Rule 10b5-1, Meta was required to disclose all material information in its possession as of



January 2021 and October 2021, and at all other relevant times at which the Company was repurchasing its own shares. Meta failed to disclose all material adverse information in its possession as pleaded in this Complaint in January 2021 and October 2021, and at all other relevant times during the Class Period.

**B. Regulation S-K Item 105**

251. Meta’s annual and quarterly reports filed with the SEC were subject to the disclosure requirements of Item 105 of Regulation S-K, 17 C.F.R. §229.105, which governs disclosure of risk factors and requires, among other things, that an issuer “provide under the caption ‘Risk Factors’ a discussion of the material factors that make [the securities] speculative or risky.”

252. Defendants violated their disclosure duties imposed by Item 105 of Regulation S-K, 17 C.F.R. §229.105 by failing to disclose the material risk that Defendant Sandberg’s use of Company resources for undisclosed personal reasons could become publicly known and result in harms to the Company, including reputational harm and negative publicity.

**C. Regulation S-K Item 303**

253. Meta’s annual and quarterly reports filed with the SEC were subject to the disclosure requirements of Item 303 of Regulation S-K, among other things, that requires disclosure of “any known trends or uncertainties that have had or that are reasonably likely to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.” 17 C.F.R. § 229.303(b)(2)(ii). Companies must also disclose events that the registrant knows will “cause a material change in the relationship between costs and revenues” and “any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, indicate the extent to which income was so affected.” 17 C.F.R. § 229.303(b)(2)(i)-(ii).

254. In violation of Item 303, Meta’s annual and quarterly reports during the Class Period failed to disclose the known trends that (1) Apple’s iOS privacy changes were likely to have, and were having, a material adverse impact on Meta’s targeting and measurement capabilities and its advertising revenues and growth; and (2) Meta’s effort to direct engagement away from Facebook’s “Stories” and elsewhere to its lower-margin “Reels” video function was

1 having a material adverse impact on its business and financial results. Meta had a duty to disclose  
2 these material adverse trends under Item 303 of Regulation S-K, yet failed to do so.

3 **X. LOSS CAUSATION**

4 255. Defendants' wrongful conduct, as alleged herein, directly and proximately caused  
5 the economic loss suffered by Plaintiffs and the Classes.

6 256. Class members unknowingly and in reliance upon Defendants' materially false or  
7 misleading statements and/or omissions purchased Meta common stock at artificially inflated  
8 prices. But for Defendants' misrepresentations, omissions, and fraudulent scheme, Lead Plaintiffs  
9 and other Class members would not have purchased Meta stock at the artificially inflated prices at  
10 which it traded during the Class Period.

11 257. The price of the Company's securities fell precipitously as the artificial inflation  
12 caused by Defendants' unlawful conduct exited Meta's stock price, causing investors' losses.

13 258. The declines in Meta's stock price during this period, including the declines  
14 summarized below, are directly attributable to the market absorbing information that corrected  
15 and/or reflected the materialization of risks concealed by Defendants' material misrepresentations  
16 or omissions.

17 259. As a result of their purchases of Meta common stock during the Class Period, Lead  
18 Plaintiffs and the other Class members suffered economic loss (*i.e.*, damages) under the federal  
19 securities laws. Defendants' materially false and misleading statements had the intended effect  
20 and caused Meta common stock to trade at artificially inflated levels throughout the Class Period.

21 260. By concealing from investors the adverse facts detailed herein, Defendants  
22 presented a misleading picture of Meta's business. As the truth about the Company and the extent  
23 of the fraud was revealed to the market, the price of Meta common stock fell significantly. These  
24 declines removed the inflation from Meta common stock, causing real economic loss to investors  
25 who had purchased Meta common stock during the Class Period.

26 261. Each decline in the price of Meta common stock, as detailed below, was a direct or  
27 proximate result of the nature and extent of Defendants' fraudulent misrepresentations and/or  
28 omissions being revealed to investors and the market.

262. The economic loss, *i.e.*, damages, suffered by Lead Plaintiffs and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the price of Meta common stock and the subsequent significant decline in the value of Meta common stock when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

**A. July 28, 2021**

263. On July 28, 2021, Meta held a conference call to discuss its financial results for the second quarter of 2021. Meta's weak financial results and outlook were a partial materialization of the concealed risk that Apple's iOS privacy changes were materially affecting the Company's operations.

264. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common stock fell \$14.96 per share, or 4.01%, to close at \$358.32 per share on July 29, 2021.

**B. October 25, 2021**

265. On October 25, 2021, Meta held a conference call to discuss its financial results for the third quarter of 2021. Meta's weak financial results and outlook were a partial materialization of the concealed risks that the Company's business was being adversely affected by its transition of user engagement from News Feed and Stories to Reels and that Apple's iOS privacy changes were materially affecting the Company's operations.

266. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common stock fell \$12.88 per share, or 3.92%, to close at \$315.81 per share on October 26, 2021.

**C. February 2, 3, 4, 7 & 8, 2022**

267. On February 2, 2022 and February 3, 2022, Meta released weak Q4 2021 financial results and provided disappointing 2022 revenue guidance. In the related earnings calls, Defendants revealed, in multiple statements detailed above, that Apple's iOS privacy changes were materially and adversely impacting Meta's advertising business.

268. For example, on the February 2, 2022 Investor Follow-Up Call, Wehner stated, "the iOS 14.5 rollout – which was most significant, which was mid last year – . . . *really impacted our*

1 ***growth rates in Q3 and Q4.***” (Emphasis added.) Likewise, on the February 2, 2022 Investor Call,  
 2 Defendant Wehner stated that “we believe the impact of iOS overall as a headwind on our business  
 3 in 2022 is on the order of \$10 billion, so it’s a pretty significant headwind for our business.” The  
 4 disclosure that the iOS changes would negatively impact Meta’s business by \$10 billion in 2022  
 5 revealed that Meta had misled investors about the impact of the iOS changes both on (1) Meta’s  
 6 targeting and measurement capabilities and (2) on Meta’s revenues, as explained above.

7 269. On the February 2, 2022 Investor Follow-Up Call, Defendant Li stated, “There are  
 8 ***still significant targeting and measurement headwinds*** that we are facing,” implying that the  
 9 “significant targeting and measurement headwinds” did not begin in Q4, but rather were “still”  
 10 continuing from at least Q3. (Emphasis added.) Defendant Li likewise revealed for the first time  
 11 that, while the Company did mitigate “half” of the underreporting gap in web conversions, this  
 12 gap was not one of the “big” challenges from the iOS changes, but rather “a very small slice of the  
 13 overall . . . revenue landscape.”

14 270. In the Company’s 2021 10-K, filed February 3, 2022, the Company admitted for  
 15 the first time in an SEC filing that its transition to Reels was negatively impacting its advertising  
 16 revenue. The Company stated:

17 User growth and engagement were also impacted by a number of other factors in  
 18 the second half of 2021. For example, competitive products and services have  
 19 reduced some users’ engagement with our products and services, and in response  
 20 to competitive pressures, *we have introduced new features such as Reels, which is*  
 21 *growing in usage but is not currently monetized at the same rate as our feed or*  
 22 *Stories products.* We also saw a deceleration in our community growth rates as the  
 size of our community continued to increase. In addition, we experienced year-  
 over-year declines in ad impressions delivered in the United States & Canada  
 region. ***These trends adversely affected advertising revenue growth in the second***  
***half of 2021*** and we expect will continue to affect our advertising revenue growth  
 in the foreseeable future.

23 (Emphasis added.)

24 271. Similarly, on the Company’s February 2, 2022 Investor Call, Defendants revealed  
 25 that the introduction of Reels was having an adverse impact on Meta’s business and results of  
 26 operations by explaining that the transition to Reels created a “near term headwind” for revenue.  
 27 For example, Defendant Zuckerberg stated:

28 [I]n the beginning our ads system and business are not as tuned for the new format,  
 so as the engagement of the new things starts to replace some of the engagement of

the old thing, it *creates a near-term headwind for revenue*.

(Emphasis added.) Similarly, Defendant Wehner stated:

[T]here's relatively few ads . . . in Reels today. So it's definitely something *from an impression growth* and monetization *perspective is going to be a headwind*.

(Emphasis added.)

272. As a direct and proximate result of this news and other similar stories, risks or truth concealed by, or effects associated with Meta's fraud were revealed, or materialized, and as a result, the price of Meta stock collapsed \$102.82 per share between February 3 and February 8, 2022, wiping out over 31% of Meta's market capitalization and devastating Plaintiffs and the proposed Class, to close at \$220.18 per share on February 8, 2022. Specifically, Meta's share price fell \$85.24, or 26.39% on February 3, 2022, \$0.67, or 0.28% on February 4, 2022, \$12.18, or 5.14% on February 7, 2022, and \$4.73, or 2.1% on February 8, 2022.

#### **D. April 21, 2022**

273. On April 21, 2022, *The Wall Street Journal* published an article titled, "Meta's Sheryl Sandberg Pressured Daily Mail to Drop Bobby Kotick Reporting."<sup>13</sup> In that article, it was reported that Defendant Sandberg "is facing internal scrutiny over two occasions in which she pressed a U.K. tabloid to shelve a potential article about her then-boyfriend, Activision Blizzard Inc. Chief Executive Bobby Kotick." The article revealed extensive information about Sandberg's inappropriate use of Company resources to address this personal matter, as detailed above.

274. As a direct and proximate result of this partial corrective disclosure and/or materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common stock fell \$12.35 per share, or 6.16%, to close at \$188.07 per share on April 21, 2022.

#### **E. June 1, 2022**

275. On May 28, 2022, Sheryl Sandberg informed Meta of her decision to resign from her position as Chief Operating Officer of the Company after a transition period. Sandberg's

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<sup>13</sup> Ben Fritz, Keach Hagey, Kirsten Grind and Emily Glazer, *Meta's Sheryl Sandberg Pressured Daily Mail to Drop Bobby Kotick Reporting*, Wall St. J. (Apr. 21, 2022), available at <https://www.wsj.com/articles/sandberg-facebook-kotick-activision-blizzard-daily-mail-11650549074>.

1 decision to resign was a partial materialization of the concealed risk that she and Meta would face  
 2 fallout as a result of her inappropriate use of Company resources for personal reasons and Meta's  
 3 misrepresenting her compensation accordingly in its SEC filings.

4 276. As a direct and proximate result of this partial corrective disclosure and/or  
 5 materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common  
 6 stock fell \$6.49 per share, or 3.34%, to close at \$188.64 per share on June 1, 2022.

7 **F. June 10, 2022**

8 277. On June 10, 2022, *The Wall Street Journal* published an article titled, "Meta  
 9 Scrutinizing Sheryl Sandberg's Use of Facebook Resources Over Several Years," which revealed  
 10 further facts concerning Sandberg's inappropriate use of Company resources for personal  
 11 projects.<sup>14</sup> For example, the article disclosed information from sources stating that Ms. Sandberg  
 12 had used Facebook staff to assist her with drafting her personal book and during her book tours,  
 13 and that she used Facebook staffers to help with her foundation and family-member tasks. The  
 14 article also contained a response by Sandberg to the allegations, in which Sandberg denied only  
 15 that her use of Company resources to plan her wedding was inappropriate, not that she had used  
 16 Company resources for that purpose.

17 278. As a direct and proximate result of this partial corrective disclosure and/or  
 18 materialization of foreseeable risks concealed by Defendants' fraud, the price of Meta common  
 19 stock fell \$8.43 per share, or 4.58%, to close at \$175.57 per share on June 10, 2022.

20 **XI. ADDITIONAL SCIENTER ALLEGATIONS**

21 279. The Individual Defendants acted with scienter in that they knew or recklessly  
 22 disregarded that the public statements listed in Part VIII *supra*, were materially misleading when  
 23 made, and knowingly or recklessly participated or acquiesced in the issuance or dissemination of  
 24 such statements. In addition to the facts alleged above, Defendants' scienter is further evidenced  
 25 by the following facts.

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26  
 27 <sup>14</sup> Deepa Seetharaman and Emily Glazer, *Meta Scrutinizing Sheryl Sandberg's Use of Facebook*  
 28 *Resources Over Several Years*, Wall St. J. (June 10, 2022), available at  
<https://www.wsj.com/articles/meta-scrutinizing-sheryl-sandbergs-use-of-facebook-resources-over-several-years-11654882829>.

**A. Defendants Wehner and Zuckerberg Enriched Themselves Through Large Sales of Inflated Meta Stock During the Class Period**

280. Defendant Wehner made numerous large sales of shares during the Class Period. Some of these sales were made pursuant to a Section 10b5-1 plan, but some were not.

281. On May 15, 2021, Defendant Wehner sold 12,316 shares of Meta stock for \$3,891,117.04, and on August 15, 2021, Defendant Wehner sold 12,319 shares of Meta stock for \$4,474,014.42. These sales of shares were not made pursuant to a Section 10b5-1 plan.

282. Defendant Wehner made numerous large sales of shares during the Class Period pursuant to a Section 10b5-1 plan. On March 19, 2021, Defendant Wehner sold 678 shares of Meta Stock for \$196,613.22; on May 19, 2021, Defendant Wehner sold 9,607 shares of Meta stock for \$2,918,894.81; on August 18, 2021, Defendant Wehner sold 9,607 shares of Meta stock for \$3,421,052.70; on November 15, 2021, Defendant Wehner sold 14,658 shares of Meta stock for \$4,996,765.62; on November 17, 2021, Defendant Wehner sold 9,607 shares of Meta stock for \$3,306,921.54; on February 25, 2022, Defendant Wehner sold 13,304 shares of Meta stock for \$2,896,280.80; on May 15, 2022, Defendant Wehner sold 14,778 shares of Meta stock for \$2,935,206.36.

283. Defendant Zuckerberg also made numerous large sales of shares during the Class Period pursuant to a Section 10b5-1 plan, as reflected in the following table.

Date of Sale	Shares Sold	Proceeds
January 29, 2021	47,362	\$12,936,842.84
January 29, 2021	44,750	\$11,579,796.22
February 1, 2021	44,750	\$11,647,785.10
February 2, 2021	44,750	\$11,947,830.06
February 3, 2021	44,750	\$11,947,957.80
February 4, 2021	44,750	\$11,883,484.40
February 5, 2021	44,750	\$11,989,295.23
February 8, 2021	44,750	\$11,932,220.17
February 9, 2021	44,750	\$12,095,888.67
February 10, 2021	44,750	\$12,102,762.19
February 11, 2021	44,750	\$12,093,091.50
February 12, 2021	44,750	\$12,061,176.83



<b>Date of Sale</b>	<b>Shares Sold</b>	<b>Proceeds</b>
February 16, 2021	47,344	\$12,983,756.95
February 17, 2021	44,750	\$12,178,443.24
February 18, 2021	44,750	\$12,016,940.80
February 19, 2021	44,750	\$11,806,557.90
February 22, 2021	44,750	\$11,661,237.94
February 23, 2021	44,750	\$11,763,440.35
February 24, 2021	44,750	\$11,773,202.36
February 25, 2021	44,750	\$11,633,753.16
February 26, 2021	44,750	\$11,696,783.74
March 1, 2021	44,750	\$11,713,716.78
March 2, 2021	44,750	\$11,805,009.41
March 3, 2021	44,750	\$11,529,102.63
March 4, 2021	44,750	\$11,595,421.37
March 5, 2021	44,750	\$11,646,588.97
March 8, 2021	44,750	\$11,674,799.15
March 9, 2021	44,750	\$11,863,109.41
March 10, 2021	44,750	\$11,879,490.78
March 11, 2021	44,750	\$14,272,953.41
March 12, 2021	51,996	\$11,934,267.39
March 15, 2021	44,750	\$12,478,905.89
March 16, 2021	45,758	\$15,730,615.23
March 17, 2021	56,250	\$15,774,768.69
March 18, 2021	56,250	\$15,854,537.47
March 19, 2021	56,250	\$16,211,639.34
March 22, 2021	56,250	\$16,582,017.28
March 23, 2021	56,250	\$16,548,102.47
March 24, 2021	56,250	\$16,151,719.12
March 25, 2021	56,250	\$15,844,767.73
March 26, 2021	56,250	\$15,818,023.42
March 29, 2021	56,250	\$16,254,648.84
March 30, 2021	56,250	\$16,285,539.98
March 31, 2021	56,250	\$16,540,762.86
April 1, 2021	56,250	\$17,638,267.37
April 5, 2021	56,250	\$20,892,848.99
April 6, 2021	68,000	\$20,911,789.34
April 7, 2021	68,000	\$21,129,604.43
April 8, 2021	68,000	\$21,232,454.13
April 9, 2021	68,000	\$21,237,941.36
April 12, 2021	68,000	\$21,104,420.54
April 13, 2021	68,000	\$21,220,529.55

<b>Date of Sale</b>	<b>Shares Sold</b>	<b>Proceeds</b>
April 14, 2021	68,000	\$20,699,826.01
April 15, 2021	68,000	\$20,923,741.28
April 16, 2021	68,000	\$20,797,111.60
April 19, 2021	68,000	\$20,615,521.35
April 20, 2021	68,000	\$20,460,656.70
April 21, 2021	68,000	\$20,380,646.27
April 22, 2021	68,000	\$19,260,533.22
April 23, 2021	68,000	\$20,402,129.22
April 26, 2021	68,000	\$20,618,045.95
April 27, 2021	68,000	\$20,664,414.12
April 28, 2021	68,000	\$20,922,191.19
April 29, 2021	68,000	\$22,212,641.39
April 30, 2021	68,000	\$22,194,434.02
May 3, 2021	68,000	\$22,041,304.96
May 4, 2021	68,000	\$21,478,801.18
May 5, 2021	68,000	\$21,599,402.10
May 6, 2021	68,000	\$21,546,300.97
May 7, 2021	68,000	\$21,800,070.22
May 10, 2021	68,000	\$20,944,130.02
May 11, 2021	68,000	\$20,680,413.42
May 12, 2021	68,000	\$15,910,033.27
May 13, 2021	52,700	\$16,115,475.45
May 14, 2021	52,700	\$16,115,475.45
May 17, 2021	52,700	\$16,115,475.45
May 18, 2021	52,700	\$16,537,923.65
May 19, 2021	52,700	\$16,325,477.32
May 20, 2021	52,700	\$16,727,893.78
May 22, 2021	52,700	\$16,745,628.23
May 24, 2021	52,700	\$17,075,451.90
May 25, 2021	52,700	\$17,259,170.81
May 27, 2021	52,700	\$25,547,588.86
May 28, 2021	77,300	\$24,781,661.91
June 1, 2021	74,969	\$21,968,296.44
June 2, 2021	66,698	\$20,805,115.31
June 3, 2021	63,105	\$17,166,889.43
June 4, 2021	52,700	\$25,519,371.82
June 7, 2021	77,300	\$25,809,033.87
June 8, 2021	77,300	\$25,844,452.85
June 9, 2021	77,300	\$25,751,791.30
June 11, 2021	77,300	\$25,556,561.25

<b>Date of Sale</b>	<b>Shares Sold</b>	<b>Proceeds</b>
June 14, 2021	77,300	\$25,859,314.17
June 15, 2021	77,300	\$26,045,687.37
June 16, 2021	77,300	\$25,785,054.07
June 17, 2021	77,300	\$25,908,126.40
June 18, 2021	77,300	\$25,693,696.04
June 21, 2021	77,300	\$25,604,218.80
June 22, 2021	77,300	\$25,937,189.61
June 23, 2021	77,300	\$26,364,791.37
June 24, 2021	77,300	\$26,544,351.16
June 25, 2021	77,300	\$26,381,954.13
June 28, 2021	77,300	\$26,706,486.44
June 29, 2021	77,300	\$27,183,121.70
June 30, 2021	77,300	\$26,965,074.33
July 1, 2021	77,300	\$27,115,236.20
July 1, 2021	77,300	\$27,115,236.20
July 2, 2021	77,300	\$27,379,308.72
July 6, 2021	77,300	\$27,291,290.63
July 7, 2021	77,300	\$27,244,245.68
July 8, 2021	77,300	\$26,705,088.81
July 9, 2021	77,300	\$26,985,777.86
July 12, 2021	77,300	\$27,240,485.70
July 13, 2021	77,300	\$27,256,801.78
July 14, 2021	77,300	\$27,013,527.85
July 15, 2021	77,300	\$26,530,463.92
July 16, 2021	77,300	\$26,433,022.35
July 19, 2021	77,300	\$26,021,528.94
July 20, 2021	77,300	\$26,280,526.26
July 21, 2021	77,300	\$26,603,801.48
July 22, 2021	77,300	\$26,970,400.94
July 23, 2021	77,300	\$28,460,717.22
July 26, 2021	77,300	\$28,749,062.00
July 27, 2021	77,300	\$28,425,545.90
July 28, 2021	77,300	\$28,806,889.16
July 29, 2021	77,300	\$27,781,778.27
July 30, 2021	77,300	\$27,584,969.16
August 2, 2021	77,300	\$27,336,443.49
August 3, 2021	77,300	\$27,094,394.11
August 4, 2021	77,300	\$27,559,554.69
August 5, 2021	77,300	\$27,901,120.39
August 6, 2021	77,300	\$28,061,842.57

<b>Date of Sale</b>	<b>Shares Sold</b>	<b>Proceeds</b>
August 9, 2021	77,300	\$28,012,575.69
August 10, 2021	77,300	\$27,924,368.70
August 11, 2021	77,300	\$27,811,431.47
August 12, 2021	77,300	\$27,899,521.22
August 13, 2021	77,300	\$28,055,444.35
August 16, 2021	77,300	\$28,040,786.83
August 17, 2021	77,300	\$27,831,934.42
August 18, 2021	77,300	\$27,649,962.12
August 19, 2021	77,300	\$27,437,913.27
August 20, 2021	77,300	\$27,631,268.37
August 23, 2021	77,300	\$28,116,050.77
August 24, 2021	77,300	\$28,279,314.23
August 25, 2021	77,300	\$28,481,505.70
August 26, 2021	77,300	\$28,336,002.62
August 27, 2021	77,300	\$28,654,250.95
August 30, 2021	77,300	\$29,140,613.59
August 31, 2021	77,300	\$29,389,616.86
September 1, 2021	77,300	\$29,554,786.08
September 2, 2021	77,300	\$29,109,543.64
September 3, 2021	77,300	\$29,060,321.51
September 7, 2021	77,300	\$29,314,864.56
September 8, 2021	77,300	\$29,201,420.60
September 9, 2021	77,300	\$29,256,984.46
September 10, 2021	77,300	\$29,452,176.16
September 13, 2021	77,300	\$29,097,526.18
September 14, 2021	77,300	\$29,123,394.97
September 15, 2021	77,300	\$28,718,138.50
September 16, 2021	77,300	\$28,710,870.73
September 17, 2021	77,300	\$28,358,185.27
September 20, 2021	77,300	\$27,429,824.62
September 21, 2021	77,300	\$27,659,845.90
September 22, 2021	77,300	\$26,617,528.74
September 23, 2021	77,300	\$26,791,961.32
September 24, 2021	77,300	\$27,020,502.83
September 27, 2021	77,300	\$27,178,122.65
September 28, 2021	77,300	\$26,450,043.37
September 29, 2021	77,300	\$26,393,921.66
September 30, 2021	77,300	\$26,355,062.62
October 1, 2021	77,300	\$26,485,561.69
October 4, 2021	59,304	\$19,432,978.01

<b>Date of Sale</b>	<b>Shares Sold</b>	<b>Proceeds</b>
October 5, 2021	77,300	\$25,662,554.37
October 6, 2021	77,300	\$25,615,269.71
October 7, 2021	75,761	\$25,336,767.34
October 8, 2021	77,193	\$25,575,759.38
October 11, 2021	57,750	\$18,965,663.28
October 12, 2021	52,700	\$16,910,332.16
October 13, 2021	52,700	\$17,119,525.57
October 14, 2021	52,900	\$17,378,799.52
October 15, 2021	52,700	\$17,107,556.77
October 18, 2021	77,300	\$25,742,220.21
October 19, 2021	77,300	\$26,265,666.14
October 20, 2021	77,300	\$26,356,574.10
October 21, 2021	77,300	\$26,359,469.94
October 22, 2021	52,700	\$17,054,088.37
October 25, 2021	52,700	\$17,127,111.08
October 26, 2021	52,900	\$16,868,158.95
October 27, 2021	52,700	\$16,595,838.18
October 28, 2021	52,700	\$29,976,377.99
October 29, 2021	52,700	\$17,046,369.58
November 1, 2021	72,046	\$23,822,465.25
November 2, 2021	61,070	\$20,092,499.51
November 3, 2021	77,300	\$25,463,481.92
November 4, 2021	77,300	\$25,910,066.12
November 5, 2021	77,300	\$26,447,294.47
November 8, 2021	77,300	\$26,366,705.35

284. Defendant Zuckerberg's aggregate stock sales during the 498-day Class Period were \$1,592,871,008.49, while during the 498 days prior to the Class Period, his aggregate stock sales were \$1,208,777,115.27. Accordingly, Defendant Zuckerberg increased his stock sales during the Class Period.

## **B. Core Operations**

### **1. Apple's iOS Changes Directly Affected Meta's Core Operations.**

285. As Meta's sales of ads accounted for substantially all of Meta's revenue and operating profits throughout the Class Period, Apple's iOS privacy changes directly affected Meta's core operations.

286. The Company admitted as much throughout the Class Period. For example, in the Company's 2Q 2021 Form 10-Q, the Company explained:

Our advertising revenue is dependent on targeting and measurement tools that incorporate data signals from user activity on websites and services that we do not control, and changes to the regulatory environment, third-party mobile operating systems and browsers, and our own products have impacted, and we expect will continue to impact, the availability of such signals, which will adversely affect our advertising revenue.

287. Because Meta's ad sales were part of Meta's core operations, the Individual Defendants, and through them Meta, would have had robust knowledge of the impact of Apple iOS privacy changes on those sales, and knew about or recklessly disregarded the negative impact Apple's iOS privacy changes would have on the Company's operations.

## **2. Meta's Transition to Reels Directly Affected Its Core Operations.**

288. Similarly, Meta's transition to Reels directly affected Meta's core operations because it directly impacted the revenue Meta received from its sale of ads, which accounts for substantially all of Meta's revenue and operating profits throughout the Class Period. As explained above, Meta's transition to Reels increased user engagement, but shifted user attention from older platforms, like News Feed and Stories, with higher per-hour ad impression rate, to Reels, which had a lower per-hour ad impression rate. This shift directly affected Meta's ad sales—Meta's core operations.

289. Because Meta's ad sales were part of Meta's core operations, the Individual Defendants, and through them Meta, would have had robust knowledge of how Meta's transition to Reels directly affected those sales, and knew about or recklessly disregarded that Reels was cannibalizing its revenue from Stories.

## **XII. CLASS ACTION ALLEGATIONS**

290. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Meta securities publicly traded on the NASDAQ during the Class Period (the "Class"), and were damaged upon the revelation of the alleged corrective disclosure. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of

1 their immediate families and their legal representatives, heirs, successors or assigns and any entity  
2 in which Defendants have or had a controlling interest.

3 291. The members of the Class are so numerous that joinder of all members is  
4 impracticable. Throughout the Class Period, Meta securities were actively traded on the  
5 NASDAQ. While the exact number of Class members is unknown to Plaintiffs at this time and  
6 can be ascertained only through appropriate discovery, Plaintiffs believe that there are hundreds  
7 or thousands of members in the proposed Class. Record owners and other members of the Class  
8 may be identified from records maintained by the Company or its transfer agent and may be  
9 notified of the pendency of this action by mail, using the form of notice similar to that customarily  
10 used in securities class actions.

11 292. Plaintiffs' claims are typical of the claims of the members of the Class as all  
12 members of the Class are similarly affected by Defendants' wrongful conduct in violation of  
13 federal law that is complained of herein.

14 293. Plaintiffs will fairly and adequately protect the interests of the members of the Class  
15 and have retained counsel competent and experienced in class and securities litigation. Plaintiffs  
16 have no interests antagonistic to or in conflict with those of the Class.

17 294. Common questions of law and fact exist as to all members of the Class and  
18 predominate over any questions solely affecting individual members of the Class. Among the  
19 questions of law and fact common to the Class are:

- 20 • whether the federal securities laws were violated by Defendants' acts as alleged in  
21 this Complaint;
- 22 • whether statements made by Defendants to the investing public during the Class  
23 Period misrepresented material facts about the financial condition, business,  
24 operations, and management of the Company;
- 25 • whether Defendants' public statements to the investing public during the Class  
26 Period omitted material facts necessary to make the statements made, in light of the  
27 circumstances under which they were made, not misleading;



- whether the Individual Defendants caused the Company to issue false and misleading SEC filings and public statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading SEC filings and public statements during the Class Period;
- whether the prices of Meta securities during the Class Period were artificially inflated because of the Defendants' conduct alleged in this Complaint; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

295. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

296. Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Meta securities are traded in efficient markets;
- the Company's securities were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiffs and members of the Class purchased and/or sold Meta securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

297. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

298. Alternatively, Plaintiffs and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

### **XIII. NO SAFE HARBOR**

299. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made, and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Meta who knew that the statement was false when made.

### **XIV. COUNT ONE**

#### **For Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)**

300. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

301. This Count is asserted against the Company and the Individual Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

1           302. During the Class Period, the Company and the Individual Defendants, individually  
 2 and in concert, directly or indirectly, disseminated or approved the false statements specified  
 3 above, which they knew or deliberately disregarded were misleading in that they contained  
 4 misrepresentations and failed to disclose material facts necessary in order to make the statements  
 5 made, in light of the circumstances under which they were made, not misleading.

6           303. The Company and the Individual Defendants violated §10(b) of the 1934 Act and  
 7 Rule 10b-5 in that they:

- 8           • employed devices, schemes and artifices to defraud;
- 9           • made untrue statements of material facts or omitted to state material facts necessary  
 10 in order to make the statements made, in light of the circumstances under which  
 11 they were made, not misleading; or
- 12          • engaged in acts, practices and a course of business that operated as a fraud or deceit  
 13 upon Plaintiffs and others similarly situated in connection with their purchases of  
 14 Meta securities during the Class Period.

15          304. The Company and the Individual Defendants acted with scienter in that they knew  
 16 that the public documents and statements issued or disseminated in the name of the Company were  
 17 materially false and misleading; knew that such statements or documents would be issued or  
 18 disseminated to the investing public; and knowingly and substantially participated or acquiesced  
 19 in the issuance or dissemination of such statements or documents as primary violations of the  
 20 securities laws. These Defendants by virtue of their receipt of information reflecting the true facts  
 21 of the Company, their control over, and/or receipt and/or modification of the Company's allegedly  
 22 materially misleading statements, and/or their associations with the Company which made them  
 23 privy to confidential proprietary information concerning the Company, participated in the  
 24 fraudulent scheme alleged herein.

25          305. Individual Defendants, who are the senior officers and/or directors of the Company,  
 26 had actual knowledge of the material omissions and/or the falsity of the material statements set  
 27 forth above, and intended to deceive Plaintiffs and the other members of the Class, or, in the  
 28 alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose

the true facts in the statements made by them or other personnel of the Company to members of the investing public, including Plaintiffs and the Class.

306. As a result of the foregoing, the market price of Meta securities was artificially inflated during the Class Period. In ignorance of the falsity of the Company's and the Individual Defendants' statements, Plaintiffs and the other members of the Class relied on the statements described above and/or the integrity of the market price of Meta securities during the Class Period in purchasing Meta securities at prices that were artificially inflated as a result of the Company's and the Individual Defendants' false and misleading statements.

307. Had Plaintiffs and the other members of the Class been aware that the market price of Meta securities had been artificially and falsely inflated by the Company's and the Individual Defendants' misleading statements and by the material adverse information which the Company's and the Individual Defendants did not disclose, they would not have purchased Meta securities at the artificially inflated prices that they did, or at all.

308. As a result of the wrongful conduct alleged herein, Plaintiffs and other members of the Class have suffered damages in an amount to be established at trial.

309. By reason of the foregoing, the Company and the Individual Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the Plaintiffs and the other members of the Class for substantial damages which they suffered in connection with their purchases of Meta securities during the Class Period.

## **XV. COUNT TWO**

### **For Violation of Section 20(a) of the Exchange Act (Against the Individual Defendants)**

310. Plaintiffs repeat and reallege each and every allegation above as if fully set forth herein.

311. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information regarding the Company's business practices.

312. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to the Company's financial condition and results of operations, and to correct promptly any public statements issued by the Company which had become materially false or misleading.

313. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which the Company disseminated in the marketplace during the Class Period. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were "controlling persons" of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Meta securities.

314. Each of the Individual Defendants, therefore, acted as a controlling person of the Company. By reason of their senior management positions and/or being directors of the Company, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, the Company to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of the Company and possessed the power to control the specific activities which comprise the primary violations about which Plaintiffs and the other members of the Class complain.

315. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

## **XVI. COUNT THREE**

### **For Violations of Section 14(a) of the Securities Exchange Act of 1934 and SEC Rule 14a-9 (Against All Defendants)**

316. Plaintiffs repeat and re allege each and every allegation contained in the foregoing paragraphs as if fully set forth herein, except the allegations in those subsections specified to relate solely to Plaintiffs' claims under Section 10(b) and 20(a) of the Exchange Act.

1           317. This claim does not sound in fraud. For the purposes of this claim, Plaintiffs  
2 expressly exclude and disclaim any allegation that could be construed as alleging or sounding in  
3 fraud or intentional or reckless misconduct. This claim is based solely on negligence.

4           318. This claim is brought against all Defendants pursuant to Section 14(a) of the  
5 Exchange Act (15 U.S.C. § 78n(a)) and Rule 14a-9 promulgated thereunder (17 C.F.R. § 240.14a  
6 9), on behalf of all shareholders of Meta who held shares of Meta Class A common stock as of  
7 April 9, 2021 or April 8, 2022 and were entitled to vote at the Meta annual shareholders meeting  
8 on either May 26, 2021 or May 25, 2022.

9           319. Defendants' statements issued to solicit shareholder approval of the election of  
10 directors and of the compensation of named executive officers, including the April 9, 2021 and  
11 April 8, 2022 Proxy Statements, and the documents incorporated therein, contained statements  
12 that, at the time and in light of the circumstances under which they were made, were false and  
13 misleading with respect to material facts, and omitted to state material facts necessary in order to  
14 make the statements therein not false or misleading.

15           320. Defendants named in this Count were required to, but did not accurately, update  
16 these statements between dissemination of these documents and the shareholder votes on May 26,  
17 2021 and May 25, 2022.

18           321. Defendants named in this Count, jointly and severally, solicited and/or permitted  
19 use of their names in solicitations contained in the Proxy Statements and other proxy solicitation  
20 materials.

21           322. By means of the Proxy Statements and documents attached thereto or incorporated  
22 by reference therein and other proxy solicitation materials, Defendants sought to secure Plaintiffs'  
23 and other Class members' approval of the election of directors and of the compensation of named  
24 executive officers, including Sheryl Sandberg, and solicited proxies from Plaintiffs and other  
25 members of the Class.

26           323. Each Defendant named in this Count acted negligently in making inaccurate  
27 statements of material facts, and/or omitting material facts required to be stated in order to make  
28 those statements not misleading. Defendants were required to ensure that the April 9, 2021 and

1 April 8, 2022 Proxy Statements and all other proxy solicitation materials fully and fairly disclosed  
 2 all material facts to allow an investor to make an informed investment decision. These Defendants  
 3 also acted negligently in failing to update the April 9, 2021 and April 8, 2022 Proxy Statements.

4 324. The solicitations described herein were essential links in the accomplishment of the  
 5 election of directors and of the compensation of named executive officers, including Sheryl  
 6 Sandberg.

7 325. Plaintiffs and other members of the Class eligible to vote on the election of directors  
 8 and the compensation of named executive officers, including Sheryl Sandberg, were misled by  
 9 Defendants' false and misleading statements and omissions, were denied the opportunity to make  
 10 a fully informed decision in voting on the election of directors and the compensation of named  
 11 executive officers and were damaged as a direct and proximate result of the untrue statements and  
 12 omissions set forth herein.

13 326. The false and misleading statements and omissions in the April 9, 2021 and April  
 14 8, 2022 Proxy Statements and other proxy solicitation materials are material in that a reasonable  
 15 stockholder would consider them important in deciding how to vote on the election of directors  
 16 and the compensation of named executive officers. In addition, a reasonable investor would view  
 17 a full and accurate disclosure as significantly altering the total mix of information made available  
 18 in the April 9, 2021 and April 8, 2022 Proxy Statements, additional proxy solicitation materials,  
 19 and in other information reasonably available to stockholders.

20 327. The untrue statements and omissions as set forth above proximately caused  
 21 foreseeable losses to Plaintiffs and other members of the Class.

22 328. This claim is brought within the applicable statute of limitations.

23 329. By reason of the foregoing, the Defendants violated Section 14(a) of the Exchange  
 24 Act, 15 U.S.C. § 78n(a), and Rule 14a-9 promulgated thereunder, 17 C.F.R. § 240.14a-9.

## 25 **XVII. COUNT FOUR**

### 26 **For Violations of Section 20(a) of the Exchange Act in Connection with the Proxy Claims** 27 **(Against the Individual Defendants)** 28



1           330. Plaintiffs repeat and re allege each and every allegation contained in the foregoing  
2 paragraphs as if fully set forth herein, except the allegations in those subsections specified to relate  
3 solely to Plaintiffs' claims under Section 10(b) and 20(a) of the Exchange Act.

4           331. This claim does not sound in fraud. For the purposes of this claim, Plaintiffs  
5 expressly exclude and disclaim any allegation that could be construed as alleging or sounding in  
6 fraud or intentional or reckless misconduct. This claim is based solely on negligence.

7           332. This Count is asserted against the Individual Defendants and is based upon Section  
8 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

9           333. The Individual Defendants acted as controlling persons of Meta within the meaning  
10 of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and  
11 their ownership and contractual rights, participation in, and/or awareness of the Company's  
12 operations and intimate knowledge of the false financial statements filed by the Company with the  
13 SEC and disseminated to the investing public, the Individual Defendants had the power to  
14 influence and control and did influence and control, directly or indirectly, the decision-making of  
15 the Company, including the content and dissemination of the various statements which Plaintiffs  
16 contend are false and misleading. The Individual Defendants were provided with or had unlimited  
17 access to copies of the Company's reports, press releases, public filings, and other statements  
18 alleged by Plaintiffs to be misleading prior to and/or shortly after these statements were issued and  
19 had the ability to prevent the issuance of the statements or cause the statements to be corrected.

20           334. In particular, the Individual Defendants had direct and supervisory involvement in  
21 the day-to-day operations of the Company and, therefore, had the power to control or influence  
22 the particular transactions giving rise to the securities violations as alleged herein, and exercised  
23 the same. The Individual Defendants also signed the April 9, 2021 and April 8, 2022 Proxy  
24 Statements and solicited approval of the election of directors and the compensation of named  
25 executive officers, including Sheryl Sandberg.

26           335. As set forth above, Meta and the Individual Defendants each violated Section 14(a)  
27 of the Exchange Act, 15 U.S.C. § 78n(a), and Rule 14a-9 promulgated thereunder, 17 C.F.R.  
28 § 240.14a-9 by their acts and omissions as alleged in this Complaint. By virtue of their position

1 as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the  
 2 Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and  
 3 other members of the Class suffered damages in connection with their purchases of the Company's  
 4 securities during the Class Period.

5 336. The solicitations described herein were essential links in the accomplishment of the  
 6 election of directors and the compensation of named executive officers, including Sheryl  
 7 Sandberg.

8 337. Plaintiffs and other members of the Class eligible to vote on the election of directors  
 9 and the compensation of named executive officers, including Sheryl Sandberg were misled by  
 10 Defendants' false and misleading statements and omissions, were denied the opportunity to make  
 11 a fully informed decision in voting on the election of directors and the compensation of named  
 12 executive officers and were damaged as a direct and proximate result of the untrue statements and  
 13 omissions set forth herein.

14 338. The false and misleading statements and omissions in the April 9, 2021 and April  
 15 8, 2022 Proxy Statements and other proxy solicitation materials are material in that a reasonable  
 16 stockholder would consider them important in deciding how to vote on the election of directors  
 17 and the compensation of named executive officers, including Sheryl Sandberg. In addition, a  
 18 reasonable investor would view a full and accurate disclosure as significantly altering the total mix  
 19 of information made available in the April 9, 2021 and April 8, 2022 Proxy Statements, additional  
 20 proxy solicitation materials, and in other information reasonably available to stockholders.

21 339. The untrue statements and omissions as set forth above proximately caused  
 22 foreseeable losses to Plaintiffs and other members of the Class.

23 340. This claim is brought within the applicable statute of limitations.

24 341. By reason of the foregoing, the Individual Defendants violated Section 20(a) of the  
 25 Exchange Act, 15 U.S.C. § 78t(a).

## 26 **XVIII. PRAYER FOR RELIEF**

27 342. WHEREFORE, Plaintiffs demands judgment against Defendants as follows:  
 28

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiffs as the Class representatives;
- B. Requiring Defendants to pay damages sustained by Plaintiffs and the Class by reason of the acts and transactions alleged in this Complaint;
- C. Awarding Plaintiffs and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and
- D. Awarding such other and further relief as this Court may deem just and proper.

# **XIX. JURY DEMAND**

343. Plaintiffs hereby demand a trial by jury in this Action.

Dated: September 18, 2023

Respectfully submitted,

**POMERANTZ LLP**

/s/ Jeremy A. Lieberman

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**CERTIFICATE OF SERVICE**

I, Jeremy A. Lieberman, hereby certify that a true and correct duplicate copy of the foregoing Second Amended Class Action Complaint for Violations of the Federal Securities Laws was filed electronically on September 18, 2023. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system or by mail to anyone unable to accept electronic filing as indicated on the Notice of Electronic Filing. Parties may access this filing through the Court's CM/ECF System.

/s/ Jeremy A. Lieberman  
Jeremy A. Lieberman

# EXHIBIT A

## Meta Platforms, Inc. Securities Litigation

## iOS 14.5 Update Impact Summary

(In millions, except per share amounts)

	Q2 2021				Q3 2021				Q4 2021				2021			
	Pro-Forma Results	Adj. to Account for Advertising Revenue Decline	Reported Results	Reported v. Pro-Forma	Pro-Forma Results	Adj. to Account for Advertising Revenue Decline	Reported Results	Reported v. Pro-Forma	Pro-Forma Results	Adj. to Account for Advertising Revenue Decline	Reported Results	Reported v. Pro-Forma	Pro-Forma Results	Adj. to Account for Advertising Revenue Decline	Reported Results	Reported v. Pro-Forma
Advertising revenue	\$ 29,771	\$ (1,191) -4.0%	\$ 28,580	4.2%	\$ 29,764	\$ (1,488) -5.0%	\$ 28,276	5.3%	\$ 34,357	\$ (1,718) -5.0%	\$ 32,639	5.3%	\$ 119,331	\$ (4,397) -3.7%	\$ 114,934	3.8%
Y-O-Y Change	62%		56%	11.6%	40%		33%	21.1%	26%		20%	31.5%	42%		37%	14.3%
Other revenue	497		497		734		734		1,032		1,032		2,995		2,995	
<b>Total revenue</b>	<b>\$ 30,268</b>	<b>\$ (1,191) -3.9%</b>	<b>\$ 29,077</b>	<b>4.1%</b>	<b>\$ 30,498</b>	<b>\$ (1,488) -4.9%</b>	<b>\$ 29,010</b>	<b>5.1%</b>	<b>\$ 35,389</b>	<b>\$ (1,718) -4.9%</b>	<b>\$ 33,671</b>	<b>5.1%</b>	<b>\$ 122,326</b>	<b>\$ (4,397) -3.6%</b>	<b>\$ 117,929</b>	<b>3.7%</b>
Y-O-Y Change	62%		56%	11.5%	42%		35%	19.7%	26%		20%	30.7%	42%		37%	13.8%
Costs and expenses:																
Cost of revenue	5,620	(221)	5,399	4.1%	6,067	(296)	5,771	5.1%	6,672	(324)	6,348	5.1%	23,490	(841)	22,649	3.7%
Research and development	6,096		6,096		6,316		6,316		7,046		7,046		24,655		24,655	
Marketing and sales	3,392	(133)	3,259	4.1%	3,736	(182)	3,554	5.1%	4,611	(224)	4,387	5.1%	14,455	(412)	14,043	2.9%
General and admin.	1,956		1,956		2,946		2,946		3,305		3,305		9,829		9,829	
Total costs and expenses	17,064	(354)	16,710	2.1%	19,065	(478)	18,587	2.6%	21,634	(548)	21,086	2.6%	72,429	(1,253)	71,176	1.8%
Y-O-Y Change	34%		31%		42%		38%		41%		38%		36%		34%	
<b>Income from operations</b>	<b>13,204</b>	<b>(837)</b>	<b>12,367</b>	<b>6.8%</b>	<b>11,433</b>	<b>(1,010)</b>	<b>10,423</b>	<b>9.7%</b>	<b>13,755</b>	<b>(1,170)</b>	<b>12,585</b>	<b>9.3%</b>	<b>49,897</b>	<b>(3,144)</b>	<b>46,753</b>	<b>6.7%</b>
Operating margin	44%		43%		37%		36%		39%		37%		41%		40%	
Interest and other income, net	146		146		142		142		117		117		531		531	
Income before provision for income taxes	13,350	(837)	12,513	6.7%	11,575	(1,010)	10,565	9.6%	13,872	(1,170)	12,702	9.2%	50,428	(3,144)	47,284	6.6%
Provision for income taxes	2,261	(142)	2,119	6.7%	1,502	(131)	1,371	9.6%	2,640	(223)	2,417	9.2%	8,440	(526)	7,914	6.6%
<b>Net income</b>	<b>\$ 11,089</b>	<b>\$ (695)</b>	<b>\$ 10,394</b>	<b>6.7%</b>	<b>\$ 10,073</b>	<b>\$ (879)</b>	<b>\$ 9,194</b>	<b>9.6%</b>	<b>\$ 11,232</b>	<b>\$ (947)</b>	<b>\$ 10,285</b>	<b>9.2%</b>	<b>\$ 41,988</b>	<b>\$ (2,618)</b>	<b>\$ 39,370</b>	<b>6.6%</b>
<b>Diluted EPS</b>	<b>\$ 3.85</b>	<b>\$ (0.24)</b>	<b>\$ 3.61</b>	<b>6.7%</b>	<b>\$ 3.52</b>	<b>\$ (0.31)</b>	<b>\$ 3.22</b>	<b>9.6%</b>	<b>\$ 4.01</b>	<b>\$ (0.34)</b>	<b>\$ 3.67</b>	<b>9.2%</b>	<b>\$ 14.69</b>	<b>\$ (0.92)</b>	<b>\$ 13.77</b>	<b>6.6%</b>

# EXHIBIT B



## Meta Platforms, Inc. Securities Litigation

### Procedures Performed to Quantify iOS 14.5 Update Impact Summary

According to former employees (“FEs”), the iOS privacy changes caused a drop of approximately 4% in advertising revenues by the end of Q2, 2021, and a drop of greater than 5% in Q3 and Q4 2021. Assuming these declines are relative to a budget or target revenue, it is possible to quantify these changes and determine what Meta’s reported results would have been “but for” the aforementioned declines in revenue. For purposes of these calculations, it is assumed that the Q2 revenue declined by 4% for the entire quarter (rather than by the end of the quarter) and Q3 and Q4 2021 revenue declined by 5% (rather than greater than 5%).

#### Q2 2021

Meta’s revenue consists of advertising revenue and other revenue.<sup>1</sup>

	Three Months Ended June 30,	
	2021	2020
Advertising	\$ 28,580	\$ 18,321
Other revenue	497	366
Total revenue	\$ 29,077	\$ 18,687

Assuming advertising revenue declined by 4% during the quarter, the reported advertising revenue of \$28,580 represents 96% of budgeted or targeted advertising revenue. Therefore, 100% of advertising revenue would have been \$29,771 ( $\$28,580 / 0.96 = \$29,771$ ). This amount is reflected in the “Pro-Forma Results” column. The difference (i.e., the decline in advertising revenue due to the iOS update) of \$1,191 is shown in the “Adj. to Account for Advertising Revenue Decline” column.<sup>2</sup>

As shown in the “Reported v. Pro-Forma” column, the difference between reported advertising revenue and pro-forma advertising revenue represents 4.2% of the reported advertising revenue (or 4.1% of the reported total revenue).

<sup>1</sup> Q2 2021 Form 10-Q, page 14.

<sup>2</sup> Stated differently, a 4% decline in advertising revenue of \$29,771 equals \$1,191.

Certain expenses, such as cost of revenue and marketing and sales expenses, are expected to vary with changes in revenue.<sup>3</sup> Meta's Q2 2021 Form 10-Q disclosed the following relationships between these expense categories and revenue (percentages rounded to whole numbers):<sup>4</sup>

*Cost of revenue*

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020		% change	2021	2020		% change
	(in millions, except for percentages)							
Cost of revenue	\$ 5,399	\$ 3,829		41 %	\$ 10,530	\$ 7,288		44 %
Percentage of revenue	19 %	20 %			19 %	20 %		

\* \* \*

*Marketing and sales*

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	% change		2021	2020	% change	
(in millions, except for percentages)								
Marketing and sales	\$ 3,259	\$ 2,840	15 %	\$	6,102	\$ 5,627	8 %	
Percentage of revenue	11 %	15 %			11 %	15 %		

Using these relationships, it is possible to predict what these expenses would have been if total revenue was \$1,191 higher. Specifically, the cost of revenue would have been \$221 (or 4.1%) higher, which represents 18.6% of the change in total revenue ( $\$1,191 \times 0.186 = \$221$ ) and marketing and sales expenses would have been \$133 (or 4.1%) higher, which represents 11.2% of the change in total revenue ( $\$1,191 \times 0.112 = \$133$ ).

Because a change in revenue would not be expected to cause a change in other operating expenses or in the interest and other income, Meta's income from operations and pre-tax income would have been \$837 higher.

<sup>3</sup> As described in the 2021 Form 10-K, page 63, "cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers and technical infrastructure, such as depreciation expense from servers, network infrastructure and buildings, as well as payroll and related expenses which include share-based compensation for employees on our operations teams, and energy and bandwidth costs. Cost of revenue also includes costs associated with partner arrangements, including traffic acquisition costs and credit card and other fees related to processing customer transactions; RL cost of products sold; and content costs. ... Marketing and sales expenses consist primarily of marketing and promotional expenses and payroll and related expenses which include share-based compensation for our employees engaged in sales, sales support, marketing, business development, and customer service functions. Our marketing and sales expenses also include professional services such as content reviewers to support our community and product operations."

<sup>4</sup> Q2 2021 Form 10-Q, page 39.

Utilizing the Company's Q2 2021 effective tax rate of 16.9%,<sup>5</sup> the additional pre-tax income would have caused Meta to incur an additional tax expense of \$142 ( $\$837 * 0.169 = \$142$ ), thus resulting in additional net income (after taxes) of \$695 or \$0.24 per diluted share.<sup>6</sup>

Consequently, as shown in the "Pro-Forma Results" column, Meta's Q2 2021 total revenue and net income would have been \$30,268 (or 4.1% higher) and \$11,089 (or 6.7% higher), respectively, "but for" a decline in sales caused by iOS privacy changes.

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") section of the Q2 2021 Form 10-Q includes a summary of financial results.<sup>7</sup> The various measurements included in the financial summary are disclosed presumably because management views them to be important indicators of Meta's performance. The materiality of the advertising revenue decline can also be demonstrated by changes that would need to be made to this disclosure to report the Q2 2021 pro-forma financial results:<sup>8</sup>

***Financial results:***

- Revenue was \$30.27 billion, up 62% year-over-year, and advertising revenue was \$29.77 billion, up 62% year-over-year.
- Total costs and expenses were \$17.06 billion, up 34% year-over-year.
- Income from operations was \$13.2 billion, and operating margin was 44%.
- Net income was \$11.09 billion, with diluted earnings per share of \$3.85.
- Capital expenditures, including principal payments on finance leases, were \$4.74 billion.
- Effective tax rate was 17%.
- Cash and cash equivalents and marketable securities were \$64.08 billion as of June 30, 2021.
- Headcount was 63,404 as of June 30, 2021, an increase of 21% year-over-year.

---

<sup>5</sup> Calculated by dividing reported \$2,119 provision for income taxes by the pre-tax income of \$12,513. See income statement on page 8 and disclosure of the effective tax rate (rounded to whole number) on page 27 of the Q2 2021 Form 10-Q.

<sup>6</sup> Weighted-average shares used to compute diluted earnings per share during Q2 2021 was 2,877, see Q2 2021 Form 10-Q, page 8.  $\$695 / 2,877 = \$0.24$ .

<sup>7</sup> Q2 2021 Form 10-Q, page 27.

<sup>8</sup> See the iOS 14.5 Update Impact Summary schedule.

Q3 2021

Meta's revenue consists of advertising revenue and other revenue.<sup>9</sup>

	Three Months Ended September 30,	
	2021	2020
Advertising	\$ 28,276	\$ 21,221
Other revenue	734	249
Total revenue	\$ 29,010	\$ 21,470

Assuming advertising revenue declined by 5% during the quarter, the reported advertising revenue of \$28,276 represents 95% of budgeted or targeted advertising revenue. Therefore, 100% of advertising revenue would have been \$29,764 ( $\$28,276 / 0.95 = \$29,764$ ). This amount is reflected in the "Pro-Forma Results" column. The difference (i.e., the decline in advertising revenue due to the iOS update) of \$1,488 is shown in the "Adj. to Account for Advertising Revenue Decline" column.<sup>10</sup>

As shown in the "Reported v. Pro-Forma" column, the difference between reported advertising revenue and pro-forma advertising revenue represents 5.3% of the reported advertising revenue (or 5.1% of the reported total revenue).

Certain expenses, such as cost of revenue and marketing and sales expenses, are expected to vary with changes in revenue.<sup>11</sup> Meta's Q3 2021 Form 10-Q disclosed the following relationships between these expense categories and revenue (percentages rounded to whole numbers):<sup>12</sup>

<sup>9</sup> Q3 2021 Form 10-Q, page 14.

<sup>10</sup> Stated differently, a 5% decline in advertising revenue of \$29,764 equals \$1,488.

<sup>11</sup> As described in the 2021 Form 10-K, page 63, "cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers and technical infrastructure, such as depreciation expense from servers, network infrastructure and buildings, as well as payroll and related expenses which include share-based compensation for employees on our operations teams, and energy and bandwidth costs. Cost of revenue also includes costs associated with partner arrangements, including traffic acquisition costs and credit card and other fees related to processing customer transactions; RL cost of products sold; and content costs. ... Marketing and sales expenses consist primarily of marketing and promotional expenses and payroll and related expenses which include share-based compensation for our employees engaged in sales, sales support, marketing, business development, and customer service functions. Our marketing and sales expenses also include professional services such as content reviewers to support our community and product operations."

<sup>12</sup> Q3 2021 Form 10-Q, page 40.

*Cost of revenue*

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	% change		2021	2020	% change	
(in millions, except for percentages)								
Cost of revenue	\$ 5,771	\$ 4,194	38 %	\$	16,301	\$ 11,482	42 %	
Percentage of revenue	20%	20%			19%	20%		

\* \* \*

*Marketing and sales*

	Three Months Ended September 30,			% change	Nine Months Ended September 30,			% change				
	2021	2020			2021	2020						
(in millions, except for percentages)												
Marketing and sales	\$	3,554	\$	2,683		32 %	\$	9,656	\$	8,310		16 %
Percentage of revenue		12 %		12 %				11 %		14 %		

Using these relationships, it is possible to predict what these expenses would have been if total revenue was \$1,488 higher. Specifically, the cost of revenue would have been \$296 (or 5.1%) higher, which represents 19.9% of the change in total revenue ( $\$1,488 \times 0.199 = \$296$ ) and marketing and sales expenses would have been \$182 (or 5.1%) higher, which represents 12.3% of the change in total revenue ( $\$1,488 \times 0.123 = \$182$ ).

Because a change in revenue would not be expected to cause a change in other operating expenses or in the interest and other income, Meta's income from operations and pre-tax income would have been \$1,010 higher.

Utilizing the Company's Q3 2021 effective tax rate of 13.0%,<sup>13</sup> the additional pre-tax income would have caused Meta to incur an additional tax expense of \$131 ( $\$1,010 \times 0.13 = \$131$ ), thus resulting in additional net income (after taxes) of \$879 or \$0.31 per diluted share.<sup>14</sup>

Consequently, as shown in the "Pro-Forma Results" column, Meta's Q3 2021 total revenue and net income would have been \$30,498 (or 5.1% higher) and \$10,073 (or 9.6% higher), respectively, "but for" a decline in sales caused by iOS privacy changes.

The Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") section of the Q3 2021 Form 10-Q includes a summary of financial results.<sup>15</sup> The various measurements included in the financial summary are disclosed presumably because management views them to be important indicators of Meta's performance. The materiality of

<sup>13</sup> Calculated by dividing reported \$1,371 provision for income taxes by the pre-tax income of \$10,565. See income statement on page 8 and disclosure of the effective tax rate (rounded to whole number) on page 28 of the Q3 2021 Form 10-Q.

<sup>14</sup> Weighted-average shares used to compute diluted earnings per share during Q3 2021 was 2,859, see Q3 2021 Form 10-Q, page 8.  $\$879 / 2,859 = \$0.31$ .

<sup>15</sup> Q3 2021 Form 10-Q, page 28.

the advertising revenue decline can also be demonstrated by changes that would need to be made to this disclosure to report the Q2 2021 pro-forma financial results:<sup>16</sup>

***Financial results:***

- Revenue was \$30.50 billion, up 42% year-over-year, and advertising revenue was \$29.76 billion, up 40% year-over-year.
- Total costs and expenses were \$19.07 billion, up 42% year-over-year.
- Income from operations was \$11.43 billion, and operating margin was 37%.
- Net income was \$10.07 billion, with diluted earnings per share of \$3.52.
- Capital expenditures, including principal payments on finance leases, were \$4.54 billion.
- Effective tax rate was 13%.
- Cash and cash equivalents and marketable securities were \$58.08 billion as of September 30, 2021.
- Headcount was 68,177 as of September 30, 2021, an increase of 20% year-over-year.

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<sup>16</sup> See the iOS 14.5 Update Impact Summary schedule.

Q4 2021

Beginning in Q4 2021, Meta reported its financial results based on two reportable segments, Family of Apps (FoA), which includes Facebook, Instagram, Messenger, WhatsApp and other services and Reality Labs (RL), which includes augmented and virtual reality related consumer hardware, software and content. Meta's advertising revenue was included in the FoA segment:<sup>17</sup>

<b>Segment Information</b>								
<i>(In millions)</i>								
<i>(Unaudited)</i>								
	Three Months Ended					Year Ended December 31,		
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	2021	2020	2019
Revenue:								
Advertising	\$ 32,639	\$ 28,276	\$ 28,580	\$ 25,439	\$ 27,187	\$114,934	\$ 84,169	\$ 69,655
Other revenue	155	176	192	198	168	721	657	541
Family of Apps	32,794	28,452	28,772	25,637	27,355	115,655	84,826	70,196
Reality Labs	877	558	305	534	717	2,274	1,139	501
Total revenue	\$ 33,671	\$ 29,010	\$ 29,077	\$ 26,171	\$ 28,072	\$117,929	\$ 85,965	\$ 70,697

Assuming advertising revenue declined by 5% during the quarter, the reported advertising revenue of \$32,639 represents 95% of budgeted or targeted advertising revenue. Therefore, 100% of advertising revenue would have been \$34,357 ( $\$32,639 / 0.95 = \$34,357$ ). This amount is reflected in the "Pro-Forma Results" column. The difference (i.e., the decline in advertising revenue due to the iOS update) of \$1,718 is shown in the "Adj. to Account for Advertising Revenue Decline" column.<sup>18</sup>

As shown in the "Reported v. Pro-Forma" column, the difference between reported advertising revenue and pro-forma advertising revenue represents 5.3% of the reported advertising revenue (or 5.1% of the reported total revenue).

Certain expenses, such as cost of revenue and marketing and sales expenses, are expected to vary with changes in revenue.<sup>19</sup> Using the ratios between reported cost of revenue to reported revenue

<sup>17</sup> February 2, 2022 Earnings Release, page 2.

<sup>18</sup> Stated differently, a 5% decline in advertising revenue of \$34,357 equals \$1,718.

<sup>19</sup> As described in the 2021 Form 10-K, page 63, "cost of revenue consists primarily of expenses associated with the delivery and distribution of our products. These include expenses related to the operation of our data centers and technical infrastructure, such as depreciation expense from servers, network infrastructure and buildings, as well as payroll and related expenses which include share-based compensation for employees on our operations teams, and energy and bandwidth costs. Cost of revenue also includes costs associated with partner arrangements, including traffic acquisition costs and credit card and other fees related to processing customer transactions; RL cost of products sold; and content costs. ... Marketing and sales expenses consist primarily of marketing and promotional expenses and payroll and related expenses which include share-based compensation for our employees engaged in sales, sales support, marketing, business development, and customer service functions. Our marketing and sales expenses also



of 18.9% and marketing and sales expenses to reported revenue of 13.0%, respectively, it is possible to predict what these expenses would have been if total revenue was \$1,718 higher. Specifically, the cost of revenue would have been \$324 (or 5.1%) higher, which represents 18.9% of the change in total revenue ( $\$1,718 \times 0.189 = \$324$ ) and marketing and sales expenses would have been \$224 (or 5.1%) higher, which represents 13.0% of the change in total revenue ( $\$1,718 \times 0.13 = \$224$ ).

Because a change in revenue would not be expected to cause a change in other operating expenses or in the interest and other income, Meta's income from operations and pre-tax income would have been \$1,170 higher.

Utilizing the Company's Q4 2021 effective tax rate of 19.0%,<sup>20</sup> the additional pre-tax income would have caused Meta to incur an additional tax expense of \$223 ( $\$1,170 \times 0.19 = \$223$ ), thus resulting in additional net income (after taxes) of \$947 or \$0.34 per diluted share.<sup>21</sup>

Consequently, as shown in the "Pro-Forma Results" column, Meta's Q4 2021 total revenue and net income would have been \$35,389 (or 5.1% higher) and \$11,232 (or 9.2% higher), respectively, "but for" a decline in sales caused by iOS privacy changes.

February 2, 2022 earnings release includes financial highlights for the fourth quarter and full year 2021:<sup>22</sup>

#### Fourth Quarter and Full Year 2021 Financial Highlights

<i>In millions, except percentages and per share amounts</i>	Three Months Ended December 31,		Year-over-Year % Change	Year Ended December 31,		Year-over-Year % Change
	2021	2020		2021	2020	
Total revenue	\$ 33,671	\$ 28,072	20 %	\$ 117,929	\$ 85,965	37 %
Total costs and expenses	21,086	15,297	38 %	71,176	53,294	34 %
Income from operations	\$ 12,585	\$ 12,775	(1)%	\$ 46,753	\$ 32,671	43 %
Operating margin	37 %	46 %		40 %	38 %	
Provision for income taxes	\$ 2,417	\$ 1,836	32 %	\$ 7,914	\$ 4,034	96 %
Effective tax rate	19 %	14 %		17 %	12 %	
Net income	\$ 10,285	\$ 11,219	(8)%	\$ 39,370	\$ 29,146	35 %
Diluted earnings per share (EPS)	\$ 3.67	\$ 3.88	(5)%	\$ 13.77	\$ 10.09	36 %

The various measurements are included in the financial highlights because presumably management views them to be important indicators of Meta's performance. The materiality of the advertising revenue decline can also be demonstrated by how these disclosures are impacted

include professional services such as content reviewers to support our community and product operations."

<sup>20</sup> Calculated by dividing reported \$2,417 provision for income taxes by pre-tax income of \$12,702. See income statement on page 8 of the February 2, 2022 earnings release.

<sup>21</sup> Weighted-average shares used to compute diluted earnings per share during Q4 2021 was 2,799, see February 2, 2022 Earnings Release, page 8.  $\$947 / 2,799 = \$0.34$ .

<sup>22</sup> February 2, 2022 Earnings Release, page 1.

by the decline in revenues which are summarized in the iOS 14.5 Update Impact Summary schedule.

Full Year 2021

The impact of a decline in advertising revenue on Meta's 2021 reported revenue and cost of revenue is calculated by adding up the Q2 – Q4 pro-forma adjustments.

Meta's 2021 Form 10-K, disclosed that its marketing and sales expenses included \$2.99 billion of advertising expenses.<sup>23</sup> Advertising expenses would not be expected to change due to a decline in advertising revenue caused by iOS privacy changes. Therefore, the impact of a decline in revenue on marketing and sales expenses for the full year should be calculated after adjusting marketing and sales expenses for advertising expenses:

Reported 2021 marketing and sales expenses <sup>24</sup>	\$ 14,043
Advertising expenses	( 2,990)
Adjusted 2021 marketing and sales expenses	\$ 11,053

Reported 2021 total revenue <sup>25</sup>	\$117,929
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Ratio of adjusted marketing and sales to reported revenue = 9.4%

The total decline in advertising revenue for full year 2021 (based on the sum of declines estimated for each quarter) equals \$4,397 (\$1,191 + \$1,488 + \$1,718 = \$4,397). If sales were \$4,397 higher, Meta's marketing and sales expenses for the full year would have been \$412 higher (\$4,397 \* .094 = \$412).

The impact of a decline in advertising revenue on 2021 net income and diluted EPS should be calculated by using the effective tax rate for the full year of 16.7% (\$7,917 provision for income taxes / \$47,284 pretax income = 16.7%) and the weighted-average shares used to compute diluted earnings per share of 2,859.<sup>26</sup>

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<sup>23</sup> 2021 Form 10-K, page 88. The amount of advertising expenses included in quarterly marketing and sales expenses was not disclosed.

<sup>24</sup> 2021 Form 10-K, page 80.

<sup>25</sup> February 2, 2022 Earnings Release, page 8.

<sup>26</sup> *Ibid.*